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(See "Continuing Disclosure Information" herein.)

## PRELIMINARY OFFICIAL STATEMENT

Dated June 30, 2025

Rating:  
Moody's: "A3"  
(See "OTHER INFORMATION – Ratings" herein)

### NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

**\$18,000,000\***  
**CITY OF BROWNWOOD, TEXAS**  
**(Brown County)**

### CERTIFICATES OF COMBINATION TAX AND LIMITED PLEDGE REVENUE OBLIGATION, SERIES 2025

**Dated Date: August 7, 2025,**  
(Interest accrues from Delivery Date)

**Due: March 15, as shown on page 2**

**PAYMENT TERMS.** . . Interest on the \$18,000,000\* City of Brownwood, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates") will accrue from the date of initial delivery provided below (the "Delivery Date") to the Underwriter shown below (the "Underwriter"), will be payable March 15 and September 15 of each year commencing March 15, 2026, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is Regions Bank, Houston, Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State" see "THE CERTIFICATES -Paying Agent/Registrar") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's home rule charter, and an ordinance to be adopted by the City Council of the City authorizing the Certificates (the "Ordinance"), and constitute direct obligations of the City of Brownwood, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of \$1,000 of the surplus revenues of the City's waterworks and sewer system, as provided in the Ordinance (see "THE CERTIFICATES- Authority for Issuance").

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for the purpose of (i) constructing and improving streets, roads and parking facilities, including related drainage, signalization, landscaping, sidewalks, lighting, screening walls, utility relocation and replacement, bridges, signage and streetscape improvements; (ii) designing, constructing, improving and equipping municipal parks and recreation facilities that are generally accessible to the public and are part of the City park system; and (iii) paying legal, fiscal and engineering fees in connection with such projects, including paying the costs associated with the issuance of the Certificates (see "THE CERTIFICATES – Purpose").

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#### CUSIP PREFIX: 116583 - MATURITY SCHEDULE & 9 DIGIT CUSIP See Schedule on Page 2

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**LEGALITY . . .** The Certificates are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas.

**DELIVERY . . .** It is expected that the Certificates will be available for delivery through DTC on August 7, 2025.

## FROST BANK

\* Preliminary, subject to change.

**MATURITY SCHEDULE\***

Principal Amount	Maturity (March 15)	Interest Rate	Initial Yield	CUSIP <sup>(1)</sup>	Principal Amount	Maturity (March 15)	Interest Rate	Initial Yield	CUSIP <sup>(1)</sup>
400,000	2026				895,000	2036			
585,000	2027				940,000	2037			
610,000	2028				985,000	2038			
640,000	2029				1,035,000	2039			
675,000	2030				1,085,000	2040			
705,000	2031				1,135,000	2041			
740,000	2032				1,190,000	2042			
775,000	2033				1,250,000	2043			
815,000	2034				1,310,000	2044			
855,000	2035				1,375,000	2045			

**(Interest to accrue from Delivery Date)**

**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 15, 20\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”).

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\* Preliminary, subject to change.

## USE OF INFORMATION IN THE OFFICIAL STATEMENT

*For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission (the "Rule"), this document constitutes an "official statement" of the City with respect to the Certificates that has been deemed "final" by the City as of its date except for the omission of no more than the information permitted by the Rule.*

*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.*

*No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter.*

*The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriter. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.*

*The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.*

*The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.*

*THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING STATEMENTS" WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES, AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM FUTURE RESULTS, PERFORMANCE, AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.*

*NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY ONLY SYSTEM AS DESCRIBED HEREIN, AS SUCH INFORMATION WAS PROVIDED BY DTC.*

*IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.*

*THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION AND CONSEQUENTLY HAVE NOT BEEN REGISTERED THEREWITH. THE REGISTRATION, QUALIFICATION, OR EXEMPTION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTION IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.*

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The cover page hereof, this page, and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

<b>THE CITY</b> .....	The City of Brownwood, Texas (the “City”) is a political subdivision and home rule municipal corporation of the State of Texas (the “State”), located in Brown County, Texas. The City covers approximately 14.86 square miles (see “INTRODUCTION - Description of the City”).
<b>THE CERTIFICATES</b> .....	The City’s \$18,000,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the “Certificates”) are expected to be issued as serial Certificates maturing on March 15 in the years 2026 through 2045, unless the Underwriter (defined herein) designates one or more maturities as one or more term Certificates. (see “THE CERTIFICATES - Description of the Certificates”).
<b>PAYMENT OF INTEREST</b> .....	Interest on the Certificates accrues from the date of initial delivery to the underwriter identified on the cover page hereof (the “Underwriter”) and will be payable initially on March 15, 2026, and each September 15 and March 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates” and “THE CERTIFICATES – Optional Redemption”).
<b>AUTHORITY FOR ISSUANCE</b> .....	The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City’s home rule charter, and an Ordinance to be adopted by the City Council (the “Ordinance”). (See “THE CERTIFICATES – authority for Issuance”).
<b>SECURITY FOR THE CERTIFICATES</b> .....	The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of \$1,000 of the surplus revenues of the City’s Waterworks and Sewer System (see “The Certificates - Security and Source of Payment”).
<b>OPTIONAL REDEMPTION</b> .....	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 15, 20__, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 15, 20__, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption”).
<b>TAX EXEMPTION</b> .....	In the opinion of Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Certificates will be used for the purpose of Proceeds from the sale of the Certificates will be used for the purpose of (i) constructing and improving streets, roads and parking facilities, including related drainage, signalization, landscaping, sidewalks, lighting, screening walls, utility relocation and replacement, bridges, signage and streetscape improvements; (ii) designing, constructing, improving and equipping municipal parks and recreation facilities that are generally accessible to the public and are part of the City park system; and (iii) paying legal, fiscal and engineering fees in connection with such projects, including paying the costs associated with the issuance of the Certificates (see “PLAN OF FINANCING – Purpose”).
<b>RATING</b> .....	The presently outstanding tax supported debt of the City is rated “A3” (Stable Outlook) by Moody’s Investors Service, Inc. (“Moody’s”), without regard to credit enhancement (see “OTHER INFORMATION – Ratings”). The City has submitted an application with Moody’s for the purpose of obtaining a contract rating on the Certificate.

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\* Preliminary, subject to change.

**BOOK-ENTRY-ONLY**

**SYSTEM**..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

**PAYMENT RECORD**..... The City has not defaulted in payment of its general obligation tax debt.

**SELECTED FINANCIAL INFORMATION**

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Per Capita Taxable Assessed Valuation	General Purpose G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Per Capita General Purpose Tax Debt	Ratio General Purpose G.O. Debt to Taxable Assessed Valuation	% of Total Tax Collections
2021	19,288	\$ 980,764,619	\$ 50,848	\$ 13,965,000	\$ 724	1.42%	100.33%
2022	18,880	1,031,521,241	54,636	12,710,000	673	1.23%	103.25%
2023	18,880	1,186,593,610	62,849	11,525,000	610	0.97%	99.84%
2024	18,679	1,275,874,534	68,305	10,315,000	552	0.81%	77.24% <sup>(5)</sup>
2025	18,679	1,347,351,955	72,132	27,070,000 <sup>(4)</sup>	1,449 <sup>(4)</sup>	2.01% <sup>(4)</sup>	N/A

(1) Source: the City.

(2) As reported by the Brown County Appraisal District on City's annual State Property Tax Reports, subject to change during the ensuing year.

(3) Does not include self-supporting debt (see "Tax Information – Table 3B – Derivation of General Purpose Funded Tax Debt" for the total debt outstanding payable from ad valorem taxes). The City's policy is to pay its self-supporting general obligation debt from other revenues is subject to change in the future at the City's discretion, although the City has no current plans to do so. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(4) Preliminary, subject to change.

(5) Partial year collections through February 28, 2025.

**GENERAL FUND CONSOLIDATED STATEMENT SUMMARY**

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Beginning Balance	\$ 6,738,370	\$ 8,534,502	\$ 11,832,324	\$ 8,791,258	\$ 5,845,867
Total Revenue	28,672,244	30,620,417	22,864,171	23,356,369	19,224,290
Total Expenditures	35,766,919	33,034,291	27,211,971	24,506,058	20,727,204
Net Transfers, Other and Adjustments	3,020,758	617,742	1,049,978	4,190,755	4,448,305
Ending Balance	<u>\$ 2,664,453</u>	<u>\$ 6,738,370</u>	<u>\$ 8,534,502</u>	<u>\$ 11,832,324</u>	<u>\$ 8,791,258</u>

For additional information regarding the City, please contact:

Melanie Larose  
Director of Finance  
City of Brownwood  
501 Center Avenue  
Brownwood, Texas 76804  
(325) 646-5775

or

George H. Williford  
Managing Director  
Hilltop Securities Inc.  
717 North Harwood Street, Suite 3400  
Dallas, Texas 75201  
(214) 953-8705

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Stephen E. Haynes Mayor	15 Years	2026	Attorney
Draco a. Miller Mayor Pro Tem	2 Years	2026	Owner - Janitorial Service/Auto Detailing Businesses
H. D. Jones Councilmember Ward 1	18 Years	2026	Owner - Floor Covering Business
Ed McMillian Councilmember Ward 2	18 Years	2027	Owner - Plumbing Company
Melody Nowowiejski Councilmember Ward 3	4 years	2027	Attorney
Walker Willey Councilmember Ward 5	6 Years	2027	Security

### SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to the City</u>
Marshal McIntosh	City Manager*	10 Years
Melanie Larose	Director of Finance	24 Years
Christi Wynn	City Secretary	23 Years
Pat Chesser	City Attorney	23 Years

### CONSULTANTS AND ADVISORS

Auditors ..... Patillo, Brown, & Hill, LLP  
Brownwood, Texas

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
Dallas, Texas

Financial Advisor ..... Hilltop Securities Inc.  
Dallas, Texas

\*Mr. McIntosh, formerly the City's Deputy city Manager, officially assumed the role of City Manager on June 6, 2025.

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**PRELIMINARY OFFICIAL STATEMENT**  
**RELATING TO**  
**\$18,000,000\***  
**CITY OF BROWNWOOD, TEXAS**  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE**  
**CERTIFICATES OF OBLIGATION, SERIES 2025**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$18,000,000\* City of Brownwood, Texas, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2025 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (hereinafter defined), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Brownwood, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities Inc., Dallas, Texas.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1884, and first adopted its Home Rule Charter in 1955. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is four years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the terms of the other three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 18,880. The City covers approximately 14.86 square miles. The City is the County Seat of Brown County and is located in Central Texas 160 miles southwest of Dallas.

**THE CERTIFICATES**

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated August 7, 2025 and mature on March 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery to the Underwriter, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on March 15 and September 15 of each year, commencing March 15, 2026 until maturity or prior redemption. The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - Book-Entry-Only System" herein.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly, Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's home rule charter, and by an ordinance to be adopted by the City Council (the "Ordinance").

**PURPOSE...** Proceeds from the sale of the Certificates will be used for the purpose of (i) constructing and improving streets, roads and parking facilities, including related drainage, signalization, landscaping, sidewalks, lighting, screening walls, utility relocation and replacement, bridges, signage and streetscape improvements; (ii) designing, constructing, improving and equipping municipal parks and recreation facilities that are generally accessible to the public and are part of the City park system; and (iii) paying legal, fiscal and engineering fees in connection with such projects, including paying the costs of issuance of the Certificates.

**SECURITY AND SOURCE OF PAYMENT . . .** The principal of and interest on the Certificates are payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of \$1,000 of the Surplus Revenues (as defined in the Ordinance) of the City's combined Waterworks and Sewer System (the "System") that remain after payment of all operation and maintenance expenses thereof, and after

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\* Preliminary, subject to change.

all debt service, reserve, and other requirements in connection with all revenue bonds or other obligations (now or hereafter outstanding) of the City have been met, to the extent that such obligations are payable from all or any part of the net revenues of the System.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of \$2.50 per \$100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after March 15, 20\_\_, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on March 15, 20\_\_, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**NOTICE OF REDEMPTION...**Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

**DTC NOTICES . . .**The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance and other notices only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption (see "THE CERTIFICATES – Book-Entry-Only System").

**AMENDMENTS TO THE ORDINANCE . . .** In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates aggregating in original principal amount a majority of outstanding Certificates that are the subject of a proposed amendment shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of

100% of the holders in original principal amount of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Certificates when the payment of the principal on the Certificates, plus interest on the Certificates to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid.

There is no assurance that current Texas law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

**BOOK-ENTRY-ONLY SYSTEM . . .** *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and accredited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Underwriter believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.*

*The City and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee). One fully registered certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each such maturity and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Certificates will be made to DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar on payable dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City and the Paying Agent/Registrar. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

**Use of Certain Terms in Other Sections of this Official Statement . . .** In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Information concerning DTC and the Book-Entry-Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by and is not to be construed as a representation by the City, the Financial Advisor or the Underwriter.

**Effect of Termination of Book-Entry-Only System . . .** In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is Regions Bank, Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System," above.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued, printed Certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date; and, with respect to a Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

**RECORD DATE FOR INTEREST PAYMENT. . .** The record date ("Record Date") for determining the party to whom the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**CERTIFICATEHOLDERS' REMEDIES.** . . The Ordinance specifies events of default as the failure of the City to make payment of the principal of or interest on any of the Certificates when the same becomes due and payable or default in the performance or observance of any other covenant, agreement or obligation of the City, which failure materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City. Upon an event of default, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance covenants and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court but may not be arbitrarily refused. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On June 30, 2006, Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the

U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors’ rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity which permit the exercise of judicial discretion.

See “THE CERTIFICATES - Book-Entry-Only System” herein for a description of the duties of DTC with regard to ownership of Certificates. Initially, the only registered owner of the Certificates will be Cede & Co., DTC partnership nominee.

**USE OF PROCEEDS . . .** The proceeds from the sale of the Certificates will be applied approximately as follows:

<u>Sources of Funds</u>	
Par Amount of the Certificates	
Reoffering Premium	
Total Sources of Funds	<u>\$ -</u>
<u>Uses of Funds</u>	
Deposit to Project/Construction Fund	
Deposit to Debt Service Fund	
Underwriter's Discount and Costs of Issuance	
Total Uses of Funds	<u>\$ -</u>

#### **TAX INFORMATION**

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. Prospective investors are encouraged to review Title 1 of the Texas Tax Code, as amended (the "Property Tax Code"), for identification of property subject to ad valorem taxation, property exempt or which may be exempted from ad valorem taxation if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.*

**VALUATION OF TAXABLE PROPERTY . . .** The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Brown County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

State law provides those eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION – City and Taxpayer Remedies").

**STATE MANDATED HOMESTEAD EXEMPTIONS . . .** State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2025 tax year on non-homestead properties (the "Subjected Property") whose appraised values are not more than \$5 million dollars (the "Maximum Property Value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "Appraisal Cap"). After the 2025 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the Maximum Property Value. The Appraisal Cap took effect on January 1, 2025.



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**LOCAL OPTION HOMESTEAD EXEMPTIONS . . .** The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than \$5,000) and (2) an additional exemption of at least \$3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. Cities, counties and school districts are prohibited from repealing or reducing an optional homestead exemption that was granted in tax year 2022 through December 31, 2027.

**LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . .** The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded.

**PERSONAL PROPERTY . . .** Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the "production of income" is taxed based on the property's market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

**FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS . . .** Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal.

Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on

a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory.

A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

**OTHER EXEMPT PROPERTY . . .** Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

**TAX INCREMENT REINVESTMENT ZONES . . .** A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

**TAX ABATEMENT AGREEMENTS . . .** Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION –City Application of Tax Code" and "Table 1 – Valuation, Exemptions and General Obligation Debt."

**TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGE BY A DISASTER. . .** The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no historical judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2025, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

**CITY AND TAXPAYER REMEDIES . . .** Under certain circumstances, taxpayers and taxing units, including the City, may appeal the determinations of the Appraisal District by timely initiating a protest with the Appraisal Review Board. Additionally, taxing units such as the City may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$61,349,201 for the 2025 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

**LEVY AND COLLECTION OF TAXES . . .** The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January

31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

**CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS . . .** The following terms as used in this section have the meanings provided below:

"adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.

"de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional \$500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.

"foregone revenue amount" means the greater of zero or the amount expressed in dollars calculated according to the following formula: the voter-approval tax rate less the actual tax rate, then multiplied by the taxing unit's current total value in the applicable preceding tax year.

"no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per \$100 of taxable value.

"unused increment rate" means the greater of (i) zero; or (ii) the sum of the foregone revenue amount for each of the tax years 2022 foregone revenue amount, the 2023 foregone revenue amount, and 2025 foregone revenue amount divided by the current total value.

"unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2025, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.

"voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate".

The City's tax rate consists of two components: (1) a rate for funding of maintenance and operations expenditures in the current year (the "maintenance and operations tax rate"), and (2) a rate for funding debt service in the current year (the "debt service tax rate"). Under State law, the assessor for the City must submit an appraisal roll showing the total appraised, assessed, and taxable values of all property in the City to the City Council by August 1 or as soon as practicable thereafter.

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

As described below, the Property Tax Code provides that if a city adopts a tax rate that exceeds its voter-approval tax rate or, in certain cases, its de minimis rate, an election must be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

A city may not adopt a tax rate that exceeds the lower of the voter-approval tax rate or the no-new-revenue tax rate until each appraisal district in which such city participates has posted notice prominently on the appraisal district's website (if the appraisal district maintains a website) and the assessor for the city has prominently posted on the city's website notice informing property owners of the estimated total amount of property taxes owed and the city has held a public hearing on the proposed tax increase. The appraisal district is also required to post notice in a newspaper of general circulation by August 7 or as soon thereafter as practicable or if there is no newspaper of general circulation, the notice must be posted in the appraisal district's office.

For cities with a population of 30,000 or more as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the voter-approval tax rate, that city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census and does not qualify as a special taxing unit, if a city's adopted tax rate is equal to or less than the de minimis rate but greater than both (a) the no-new-revenue tax rate, multiplied by 1.08, plus the debt service tax rate or (b) the city's voter-approval tax rate, then a valid petition signed by at least three percent of the registered voters in the city would require that an election be held to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate.

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States during the current year may calculate its voter-approval tax rate using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

State law provides cities and counties in the State the option of assessing a maximum one-half percent (1/2%) sales and use tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional sales and use tax for ad valorem tax reduction is approved and levied, the no-new-revenue tax rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

**The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City's ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City's tax-supported debt obligations, including the Certificates.**

Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

**DEBT TAX RATE LIMITATIONS** ... All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5 of the Texas Constitution is applicable to the City and limits its maximum ad valorem tax rate to \$2.50 per \$100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance and based on a 90% collection rate.

**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$15,000; the disabled are also granted an exemption of \$10,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and the Brown County Appraisal District collects taxes for the City.

The City does not permit split payments, and discounts are not allowed.

The City does tax freeport property.

The City does not tax goods-in-transit.

The City does collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does not participate in any TIFs.

**TAX ABATEMENT POLICY . . .** The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement.

**CHAPTER 380 AGREEMENTS...**The City has entered into the following Chapter 380 Agreements with retail businesses to promote economic development within the City:

- Agreement with Indian Creek Townhomes Phase I in which the City has granted a property tax rebate of 80% in 2025 reducing by 10% in each year through 2028;
- Agreement with Home2 Suites in which the City has granted a hotel occupancy tax rebate over 7 years; and

**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2024/25 Market Valuation Established by Brown County Appraisal District (excluding totally exempt property)		\$ 1,466,297,576
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions (Over 65 and Disabled)	\$ 23,978,715	
Disabled Veterans Exemptions	22,970,923	
Agriculture/Open-Space Land Use Reductions	13,458,640	
Homestead Cap Loss	40,346,616	
Circuit Breaker Limitation	18,147,589	
Pollution Control	24,458	
Solar	18,680	118,945,621
2024/25 Taxable Assessed Valuation		\$ 1,347,351,955
General Obligation Debt Payable from Ad Valorem Taxes as of June 11, 2025 The Certificates <sup>(1)</sup>	\$ 20,710,000	
		18,000,000
		\$ 38,710,000
Less: Self-Supporting Debt <sup>(2)</sup>		
Waterworks and Sewer System General Obligation Debt	\$ 2,995,000	
Sanitation System General Obligation Debt	8,440,000	
Other Self Supported Debt		205,000
		\$ 11,640,000
Net General Obligation Debt Payable from Ad Valorem Taxes	\$ 27,070,000	
Interest and Sinking Fund as of 9/30/2024	\$ 113,512	
Ratio General Obligation Debt to Taxable Assessed Valuation		1.54%
Ratio Net General Obligation Debt to Taxable Assessed Valuation		2.01%

2025 Estimated Population - 18,679

Per Capita Taxable Assessed Valuation - \$72,132

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - \$1,109

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$1,449

(1) Preliminary, subject to change.

(2) General obligation debt in the amount shown for which repayment is provided from revenues of the City's Waterworks and Sewer System or the Sanitation System. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future, although the City has no current plans to do so. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

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**TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY**

Category	Fiscal Year Ended September 30,					
	2025		2024		2023	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 875,270,675	59.69%	\$ 808,289,782	58.94%	\$ 767,395,800	59.24%
Real, Residential, Multi-Family	65,410,257	4.46%	60,282,611	4.40%	62,717,690	4.84%
Real, Vacant Lots/Tracts	10,217,286	0.70%	8,658,301	0.63%	7,033,012	0.54%
Real, Acreage (Land Only)	14,180,610	0.97%	13,579,000	0.99%	12,259,100	0.95%
Real, Farm and Ranch Improvements	8,975,740	0.61%	7,805,740	0.57%	7,355,390	0.57%
Real, Commercial and Industrial	317,159,648	21.63%	292,636,793	21.34%	271,828,424	20.98%
Real and Tangible Personal, Utilities	46,002,060	3.14%	42,300,840	3.08%	43,299,000	3.34%
Tangible Personal, Commercial and Industrial	122,636,110	8.36%	131,052,340	9.56%	114,356,510	8.83%
Tangible Personal, Other	1,946,320	0.13%	1,638,330	0.12%	1,465,170	0.11%
Special Inventory	4,153,830	0.28%	4,436,490	0.32%	5,022,770	0.39%
Real Property, Inventory	345,040	0.02%	683,870	0.05%	2,677,790	0.21%
Total Appraised Value Before Exemptions	\$ 1,466,297,576	100.00%	\$ 1,371,364,097	100.00%	\$ 1,295,410,656	100.00%
Less: Total Exemptions/Reductions	118,945,621		95,489,563		108,817,046	
Taxable Assessed Value	<u>\$ 1,347,351,955</u>		<u>\$ 1,275,874,534</u>		<u>\$ 1,186,593,610</u>	

Category	Fiscal Year Ended September 30,			
	2022		2021	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 653,987,642	59.18%	\$ 561,392,749	54.83%
Real, Residential, Multi-Family	41,269,690	3.73%	37,369,198	3.65%
Real, Vacant Lots/Tracts	5,684,188	0.51%	5,435,716	0.53%
Real, Acreage (Land Only)	7,651,470	0.69%	6,304,860	0.62%
Real, Farm and Ranch Improvements	6,399,260	0.58%	6,490,551	0.63%
Real, Commercial and Industrial	237,924,576	21.53%	244,676,060	23.90%
Real and Tangible Personal, Utilities	37,285,900	3.37%	34,248,550	3.35%
Tangible Personal, Commercial and Industrial	104,836,020	9.49%	121,368,410	11.85%
Tangible Personal, Other	1,340,730	0.12%	1,008,980	0.10%
Special Inventory	4,767,370	0.43%	5,024,460	0.49%
Real Property, Inventory	3,910,700	0.35%	480,670	0.05%
Total Appraised Value Before Exemptions	\$ 1,105,057,546	100.00%	\$ 1,023,800,204	100.00%
Less: Total Exemptions/Reductions	73,536,305		43,035,585	
Taxable Assessed Value	<u>\$ 1,031,521,241</u>		<u>\$ 980,764,619</u>	

NOTE: Valuations shown are certified taxable assessed values reported by the Brown County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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**TABLE 3A - VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of General Purpose G.O. Tax Debt to Taxable Assessed Valuation	General Purpose G.O. Tax Debt Per Capita
2021	19,288	\$ 980,764,619	\$ 50,848	\$ 13,965,000	1.42%	\$ 724
2022	18,679	1,031,521,241	55,224	12,710,000	1.23%	680
2023	18,679	1,186,593,610	63,526	11,525,000	0.97%	617
2024	18,679	1,275,874,534	68,305	10,315,000	0.81%	552
2025	18,679	1,347,351,955	72,132	27,070,000 <sup>(4)</sup>	2.01% <sup>(4)</sup>	1,449 <sup>(4)</sup>

(1) Source: The City.

(2) As reported by the Appraisal District on the City's annual State Property Tax Board Reports, subject to change during the ensuing year.

(3) Does not include self-supporting debt (see "Table 3B – Derivation of General Purpose Funded Tax Debt" below for the total debt outstanding payable from ad valorem taxes).

(4) Includes the Certificates. Preliminary, subject to change.

**TABLE 3B - DERIVATION OF GENERAL PURPOSE FUNDED TAX DEBT**

Fiscal Year Ended 9/30	Total Funded Tax Debt Outstanding at End of Year	Certificates of Obligation	Less: Self-Supporting Waterworks and Sewer System General Obligation Debt	Less: Self-Supporting Sanitation System General Obligation Debt	Less: Other Self-Supporting General Obligation Debt	General Purpose Funded Tax Debt Outstanding at End of Year
2021	\$ 20,510,000		\$ 5,950,000	\$ -	\$ 595,000	\$ 13,965,000
2022	18,460,000		5,250,000	-	500,000	12,710,000
2023	25,470,000		4,525,000	9,015,000	405,000	11,525,000
2024	23,130,000		3,775,000	8,735,000	305,000	10,315,000
2025	20,710,000	18,000,000 <sup>(1)</sup>	2,995,000	8,440,000	205,000	27,070,000 <sup>(1)</sup>

(1) Includes the Certificates. Preliminary, subject to change.

**TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% Current Collections	% Total Collections
		General Fund	Interest & Sinking Fund			
2021	\$ 0.7448	\$ 0.6104	\$ 0.1344	\$ 7,304,735	96.01%	99.23%
2022	0.7317	0.6174	0.1143	7,311,824	97.88%	100.33%
2023	0.6864	0.5947	0.0917	7,870,777	97.79%	103.25%
2024	0.6659	0.5786	0.0873	8,178,576	97.46%	99.84%
2025	0.6938	0.6084	0.0854	8,866,841	76.12% <sup>(1)</sup>	77.24% <sup>(1)</sup>

(1) Partial year collections As of April 30, 2025.



**TABLE 5 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	Nature of Property	2024/25 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Wal-Mart Store East Inc #813	Retail Store	\$ 16,799,430	1.25%
Atmos Energy/Mid-Tex Distribution	Utility	16,044,730	1.19%
Commerce Station LP	Strip Mall/Plaza	15,720,480	1.17%
Oncor Electric Delivery Co	Electric Utility	14,531,020	1.08%
Harkey, John D & Lucy L Co Trustees of the John D & Lucy	Trust	14,323,971	1.06%
HD Development Properties LP	Retail Store	12,091,890	0.90%
Jenca Land Co	Apartments	9,784,950	0.73%
United Supermarkets LLC	Grocery Store	5,998,750	0.45%
Twenty01 Slayden LLC	Apartments	5,403,000	0.40%
Brownwood Hospitality LLC	Hotel/Motel	5,277,440	0.39%
		<u>\$ 115,975,661</u>	<u>8.61%</u>

**GENERAL OBLIGATION DEBT LIMITATION** . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (however, see "THE CERTIFICATES - Tax Rate Limitation").

**TABLE 6 - TAX ADEQUACY<sup>(1)</sup>**

2026 Net Principal and Interest Requirements <sup>(1)</sup> .....	\$ 2,860,952
\$.2190 Tax Rate at 97% Collection Produces.....	\$ 2,862,180
Maximum Principal and Interest Requirements, All General Obligation Debt, 2026 <sup>(1)</sup> ...	\$ 4,127,744
\$.3159 Tax Rate at 97% Collection Produces.....	\$ 4,128,596
Maximum Principal and Interest Requirements, Net Debt, 2026 <sup>(1)</sup> .....	\$ 2,860,952
\$.2190 Tax Rate at 97% Collection Produces.....	\$ 2,862,180

(1) Includes the Certificates. Preliminary; subject to change

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**TABLE 7 - ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2024/2025 Taxable Assessed Value	2024/2025 Tax Rate	Total Tax Debt As Of 5/31/2025	Estimated % Applicable	City's Overlapping Tax Debt As Of 5/31/2025	Authorized But Unissued Debt As Of 5/31/2025
City of Brownwood	\$ 1,347,351,955	\$ 0.6938	\$ 39,741,949 <sup>(1)</sup>	100.00%	\$ 39,741,949 <sup>(1)</sup>	\$ -
Brownwood ISD	1,950,352,403	0.9670	62,690,000	61.03%	38,259,707	-
Early ISD	418,858,727	1.1280	13,525,000	1.71%	231,278	1,900,000
Brown County	4,928,645,350	0.4000	4,410,000	30.70%	1,353,870	-
Total Direct and Overlapping Tax Debt.....					\$ 39,844,855	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation .....					2.04%	
Per Capita Overlapping Tax Debt .....					\$ 2,133	

(1) Includes the Certificates. Preliminary; subject to change.

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## DEBT INFORMATION

**TABLE 8 - PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended	Outstanding Debt <sup>(1)</sup>			The Certificates <sup>(2)</sup>			Grand Total Requirements	Less: Waterworks & Sewer System General Obligation	Less: Sanitation System Revenue General Obligation	Less: Other Self- Supported General Obligation	General Purpose General Obligation	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total		Requirements <sup>(3)</sup>	Requirements <sup>(3)</sup>	Requirements <sup>(2)</sup>		
	9/30											
2025	\$ 2,420,000	\$ 742,537	3,162,537	-	-	-	3,162,537	919,943	\$ 672,750	\$ 103,825	1,466,019	
2026	2,000,000	720,744	2,720,744	400,000	1,007,000	1,407,000	4,127,744	491,842	672,625	102,325	2,860,952	
2027	1,745,000	664,529	2,409,529	585,000	822,106	1,407,106	3,816,635	302,521	671,750	105,788	2,736,576	
2028	1,590,000	612,803	2,202,803	610,000	793,725	1,403,725	3,606,528	207,147	670,125		2,729,257	
2029	1,640,000	561,387	2,201,387	640,000	764,038	1,404,038	3,605,425	207,938	672,625		2,724,862	28.28%
2030	1,695,000	507,914	2,202,914	675,000	732,806	1,407,806	3,610,720	208,471	669,250		2,732,999	
2031	1,745,000	452,408	2,197,408	705,000	700,031	1,405,031	3,602,440	203,846	670,000		2,728,594	
2032	1,535,000	398,830	1,933,830	740,000	665,713	1,405,713	3,339,542	204,058	669,750		2,465,734	
2033	855,000	355,443	1,210,443	775,000	629,731	1,404,731	2,615,174	203,993	670,675		1,740,506	
2034	895,000	318,458	1,213,458	815,000	591,969	1,406,969	2,620,427	203,645	672,875		1,743,906	53.65%
2035	935,000	279,691	1,214,691	855,000	552,306	1,407,306	2,621,997	207,891	669,375		1,744,731	
2036	630,000	246,892	876,892	895,000	510,744	1,405,744	2,282,635	206,717	670,175		1,405,744	
2037	655,000	220,407	875,407	940,000	467,163	1,407,163	2,282,570	205,232	670,175		1,407,163	
2038	685,000	192,722	877,722	985,000	421,444	1,406,444	2,284,165	208,347	669,375		1,406,444	
2039	715,000	163,075	878,075	1,035,000	373,469	1,408,469	2,286,544	206,094	671,981		1,408,469	73.90%
2040	745,000	131,457	876,457	1,085,000	323,119	1,408,119	2,284,575	203,594	672,863		1,408,119	
2041	780,000	98,413	878,413	1,135,000	270,394	1,405,394	2,283,806	205,731	672,681		1,405,394	
2042	815,000	63,826	878,826	1,190,000	215,175	1,405,175	2,284,001	207,388	671,438		1,405,175	
2043	850,000	27,713	877,713	1,250,000	157,225	1,407,225	2,284,938	203,688	674,025		1,407,225	
2044	200,000	4,640	204,640	1,310,000	96,425	1,406,425	1,611,065	204,640	-		1,406,425	96.66%
2045				1,375,000	32,656	1,407,656	1,407,656				1,407,656	100.00%
	<u>\$ 23,130,000 <sup>(1)</sup></u>	<u>\$ 6,763,885</u>	<u>\$ 29,893,885</u>	<u>\$ 18,000,000</u>	<u>\$ 10,127,238</u>	<u>\$ 28,127,238</u>	<u>\$ 58,021,123</u>	<u>\$ 5,212,724</u>	<u>\$ 12,754,513</u>	<u>\$ 311,938</u>	<u>\$ 39,741,949</u>	

(1) "Outstanding Debt" does not include lease purchase and note obligations described in Table 12 – Other Obligations.

(2) The average life of the issue is 11.845 years and the true interest cost has been calculated at 4.750% for the purpose of illustration only. Preliminary, subject to change.

(3) Includes General Obligation debt for which repayment is provided from surplus net revenues of the respective system (see Table 3B – Derivation of General Purpose Funded Tax Debt"). The amount of self-supporting debt is based on the percentage of revenue support as shown in Table 10. It is the City's current policy to provide these payments from the respective system revenue; this policy is subject to change in the future, although the City has no current plans to do so. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

(4) Preliminary, subject to change.

**TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION<sup>(1)</sup>**

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2025		\$ 1,127,314
Interest and Sinking Fund, Fiscal Year Ending 9/30/2024	\$ 9,165	
Calculated Interest and Sinking Fund Taxes Fiscal Year Ending 9/30/2024	<u>1,072,270</u>	<u>\$ 1,081,435</u>
Estimated Balance, Fiscal Year Ending 9/30/2025		\$ (45,879)

(1) Excludes self-supporting debt and the Certificates.

**TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT**

Net System Revenue from Waterworks and Sewer System, Fiscal Year End 9/30/2024	\$ 5,190,179	<sup>(1)</sup>
Less: Requirements for Waterworks and Sewer System Revenue Debt, Fiscal Year End 9/30/2025		
Balance Available for Other Purposes	<u>\$ 5,190,179</u>	
Requirements for Waterworks and Sewer System General Obligation Debt, Fiscal Year Ended 9/30/2025	\$ 919,943	
Balance	<u>\$ 4,270,237</u>	
Percentage of System General Obligation Bonds Self-Supporting		100.00%
Net System Revenue from Sanitation System, Fiscal Year End 9/30/2024	\$ 4,494,993	
Less: Requirements for Sanitation System Revenue Debt, Fiscal Year End 9/30/2025		-
Balance Available for Other Purposes	<u>\$ 4,494,993</u>	
Requirements for Sanitation System General Obligation Debt, Fiscal Year Ended 9/30/2024	\$ 672,750	
Balance	<u>\$ 3,822,243</u>	
Percentage of System General Obligation Bonds Self-Supporting		100.00%

(1) Unaudited

**TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

As of January 31, 2025, the City had no authorized but unissued bonds.

**ANTICIPATED ISSUANCE OF ADDITIONAL DEBT...**The City does not anticipate issuing additional general obligation debt within the next 12 months. The City may incur non-voted debt payable from or secured by its collection of taxes and other sources of revenue, including tax notes, certificates of obligation, public property finance contractual obligations, and leases for various purposes.

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**TABLE 12 - OTHER OBLIGATIONS**Government activities

Notes payables are used to finance asset acquisitions and improvements needed in the governmental operations of the City. The notes are secured by equipment. The following represents the future maturities on the governmental notes payable:

Fiscal Year Ended 9/30	Principal	Interest	Total
2025	\$ 464,021	\$ 49,819	\$ 513,840
2026	319,975	27,066	347,041
2027	263,343	10,344	273,687
2028	30,072	623	30,695
Total	<u>\$ 1,077,411</u>	<u>\$ 87,852</u>	<u>\$ 1,165,263</u>

Lease Commitments

Leases payables are used to finance vehicles used in the governmental operations of the City. The following represents the future maturities on governmental lease payable:

Fiscal Year Ended 9/30	Principal	Interest	Total
2025	\$ 77,363	\$ 3,808	\$ 81,171
2026	41,679	2,638	44,317
2027	26,517	1,603	28,120
2028	26,673	672	27,345
2029	4,378	23	4,401

The following represents the future maturities on the governmental subscription-based information technology arrangements:

Fiscal Year Ended 9/30	Principal	Interest	Total
2025	\$ 39,100	\$ 1,321	\$ 40,421

**PENSION PLANS...**The City of Brownwood participates in three pension plans. Two are administered by Texas Municipal Retirement System (TMRS), Plan 10190 City and 30190 Health Department, and one is administered by Brownwood Firefighter's Relief and Retirement Fund.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to deductions from fiduciary net position have been determined on the same basis as they are reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

TMRS Plan Descriptions

The City of Brownwood participates in two of 909 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

All eligible employees of the city are required to participate in TMRS.

#### Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest and the city-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest. Plan provisions for the City include an employee deposit rate of 7%, a matching ratio (city to employee) of 2 to 1 and five years of participation for vesting. Employees with five years of continuous service are eligible to retire at age 60. Employees may retire at any age after 20 years of continuous service.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	
Plan 10190 City	174
Plan 30190 Health Department	12
Inactive employees entitled to but not yet receiving benefits	
Plan 10190 City	101
Plan 30190 Health Department	3
Active employees	
Plan 10190 City	224
Plan 30190 Health Department	21

#### Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time. The contribution rates for the City were as follows:

	Calendar Year	
	2024	2025
Plan 10190 City	14.46%	14.48%
Plan 30190 Health Department	9.61%	15.54%

The City's contributions to TMRS for the year ended September 30, 2023, for Plan 10190 city and Plan 30190 Health Department were \$1,519,745 and \$94,540, respectively, and were equal to or in excess of the required contributions.

For more detailed information concerning the City's Net Pension Liability for each plan and the TMRS, see Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Note 11, page 40.

**FIREFIGHTER'S RELIEF AND RETIREMENT FUND...**The fund is a single-employer, contributory, defined benefit pension plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Brownwood Firefighter's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Brownwood Firefighter's Relief and Retirement Fund at P.O. Box 1389, Brownwood, Texas 76804.

The Fund provides service retirement, death, disability and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighter's may retire at age 50 with 20 years of service. The Fund provides a monthly normal service retirement benefit, payable in a joint and two-thirds to spouse form of annuity, equal to 50.00% of highest 60-month average salary plus \$54.50 per month for each year of service in excess of 20 years.

A firefighter has the option to participate in a Retroactive Deferred Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced annuity upon termination of employment. Firefighters must be at least age 52 with 20 years of service at the selected "RETRO DROP benefit calculation date" (which is prior to date of employment termination). Optional forms are also available to provide 100% to the surviving spouse instead of the standard two-thirds form and to coordinate with Social Security.

For the fiscal year ended September 30, 2024, the City's annual pension cost for the Fund was \$796,905.

The latest actuarial evaluation on the Fund is as follows: For more detailed information concerning the Plans and the Fund, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note #11, page 44.

**OTHER RETIREMENT BENEFITS...**As a result of its participation in TMRS and the Fund and having no other post-employment benefit plans, the City has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

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## FINANCIAL INFORMATION

**TABLE 13 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ended September 30,			
	2023	2022	2021	2020
<b>REVENUE:</b>				
Ad Valorem Taxes	\$ 6,836,700	\$ 6,244,571	\$ 5,918,458	\$ 5,791,489
Sales Tax	7,393,146	6,814,240	6,627,106	5,850,332
Other Taxes	3,703,172	3,666,446	3,653,294	4,116,998
Fines	334,010	317,921	278,153	219,903
Licenses and Fees	167,598	141,281	99,781	103,471
Charges for Services	414,006	336,503	401,588	281,229
Intergovernmental	1,820,445	1,758,930	2,088,598	1,560,504
Interest	745,892	91,714	3,916	58,152
Miscellaneous	-	151,127	381,687	1,140,119
Grant Contributions	9,205,448	3,341,438	3,903,788	102,093
Total Revenue	<u>\$ 30,620,417</u>	<u>\$ 22,864,171</u>	<u>\$ 23,356,369</u>	<u>\$ 19,224,290</u>
<b>EXPENDITURES:</b>				
City Council	\$ 61,046	\$ 74,015	\$ 75,288	\$ 52,796
Administration	421,053	346,624	291,475	274,827
City Secretary	122,198	116,708	112,333	103,183
Finance/Accounting	409,561	381,107	332,145	377,541
Municipal Court	303,142	289,865	269,028	311,319
Police Department	5,705,007	5,909,534	6,507,490	5,242,484
Fire Department	4,177,927	3,962,080	3,902,834	3,667,184
Code Enforcement	1,320,576	1,613,103	895,425	849,377
Street Department	2,185,946	2,785,131	2,233,484	1,918,541
Health Department	307,014	298,697	278,426	278,430
Community Services	538,317	519,393	425,293	639,937
Intergovernmental	269,721	268,654	266,724	261,850
Utility Collections	522,353	458,828	383,054	348,930
Community Facilities	9,390,598	3,077,904	1,860,467	441,875
Operations Support	238,478	154,085	161,098	152,636
Purchasing and Warehouse	193,622	182,940	191,099	182,242
Parks and Recreation	2,939,381	1,942,548	1,698,721	1,489,961
Fleet Services	1,049,324	1,861,462	1,178,810	1,091,846
City Attorney	221,871	231,644	207,823	204,554
Community Development	260,431	145,550	834,702	404,534
Public Works	-	348,850	421,891	461,547
Emergency Management	10,233	28,502	20,656	17,920
Human Resources	301,112	272,756	253,348	259,797
Fire Marshal	-	6,525	42,664	128,903
Other	2,085,380	1,935,466	1,661,780	1,564,990
Total Expenditures	<u>\$ 33,034,291</u>	<u>\$ 27,211,971</u>	<u>\$ 24,506,058</u>	<u>\$ 20,727,204</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (2,413,874)</u>	<u>\$ (4,347,800)</u>	<u>\$ (1,149,689)</u>	<u>\$ (1,502,914)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In (Out)	\$ (608,764)	\$ (59,556)	\$ 3,177,630	\$ 3,266,076
Proceeds from sale of capital assets	505,123	312,535	731,555	445,779
Note Proceeds	243,124	1,345,826	-	-
Capital Lease Proceeds	363,555	1,737,618	281,570	736,450
Subscription Financing	114,704	-	-	-
Total Other Financing Sources (Uses)	<u>\$ 617,742</u>	<u>\$ 3,336,423</u>	<u>\$ 4,190,755</u>	<u>\$ 4,448,305</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>(1,796,132)</u>	<u>(1,011,377)</u>	<u>3,041,066</u>	<u>2,945,391</u>
Fund Balance Beginning of Year	\$ 8,534,502	\$ 11,832,324	\$ 8,791,258	\$ 5,845,867 <sup>(1)</sup>
Prior Period Adjustment	-	(2,286,445)	-	-
Restated Fund Balance Beginning of Year	8,534,502	9,545,879	8,791,258	5,845,867
FUND BALANCE END OF YEAR	<sup>(1)</sup> <u>\$ 6,738,370</u>	<u>\$ 8,534,502</u>	<u>\$ 11,832,324</u>	<u>\$ 8,791,258</u>



**TABLE 13A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ended September 30,
	2024
REVENUE:	
Ad Valorem Taxes	\$ 7,171,550
Sales Tax	7,072,866
Other Taxes	3,688,818
Licenses and Fees	153,216
Intergovernmental	2,653,230
Charges for services	3,523,322
Fines	331,613
Grant and contributions	3,193,353
Investments earnings	681,419
Miscellaneous	202,857
Total Revenue	<u>\$ 28,672,244</u>
EXPENDITURES:	
General government	\$ 4,520,268
Public safety	10,436,417
Community services	10,353,266
Public works	3,638,933
Parks and Recreation	4,920,688
Capital outlay	517,963
Debt service	
Principal	1,241,682
Interest	137,702
Bonds fees	-
Total Expenditures	<u>\$ 35,766,919</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (7,094,675)</u>
OTHER FINANCING SOURCES (USES):	
Note proceeds	\$ 1,266,336
Lease issuance	470,274
Subscription Financing	47,689
Sale of assets	111,028
Transfer in	-
Transfer out	(60,768)
Total Other Financing Sources (Uses)	<u>\$ 1,834,559</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	<u>(5,260,116)</u>
FUND BALANCE BEGINNING OF YEAR (AS PREVIOUSLY REPORTED)	\$ 6,738,370
ADJUSTMENTS	<u>1,186,199</u>
FUND BALANCE END OF YEAR	<u>\$ 2,664,453</u>

- (1) The reduction in fund balance was due to planned use of the general fund balance during fiscal year 2023-24 for one-time capital projects, including approximately \$2.3 million toward the construction of an event center in partnership with the Brownwood Municipal Development District which funded the remaining construction costs, approximately \$2.2 million for the revitalization of the City's main park and \$900,000 for the relocation of the City's health department.

**TABLE 13B - CHANGE IN NET ASSETS**

	Fiscal Year Ended September 30,				
	2024	2023	2022	2021	2020
Program Revenues:					
Fees, Fines and Charges for Services	\$ 4,558,608	\$ 3,233,641	\$ 2,997,189	\$ 3,339,804	\$ 2,539,244
Operating Grants and Contributions	3,909,858	2,786,233	1,985,822	3,630,021	2,318,989
Capital Grants and Contributions	3,568,472	7,533,772	2,659,372	1,539,038	-
General Revenues:					
Ad Valorem Taxes	8,219,332	7,918,217	7,368,702	7,210,802	7,158,179
Sales Tax	7,072,866	7,393,146	6,814,240	6,627,106	5,850,332
Other Revenues	5,023,674	5,164,490	4,650,338	4,759,052	4,757,584
Total Revenues	<u>\$ 32,352,810</u>	<u>\$ 34,029,499</u>	<u>\$ 26,475,663</u>	<u>\$ 27,105,823</u>	<u>\$ 22,624,328</u>
Expenses:					
General Government and Administration	\$ 5,392,380	\$ 7,539,319	\$ 6,727,180	\$ 6,238,938	\$ 6,743,343
Public Safety	11,652,332	11,221,839	9,099,917	9,055,077	10,625,039
Public Works	3,351,898	2,943,398	2,673,377	2,559,642	2,766,362
Parks & Community Facilities	4,362,413	3,994,624	3,378,719	3,947,236	2,941,836
Community Services	8,591,267	-	-	-	-
Special Rev Activities	-	2,062,710	1,902,485	1,822,854	1,352,980
Interest on Long-Term Debt	256,172	141,376	316,479	326,482	425,325
Total Expenses	<u>\$ 33,606,462</u>	<u>\$ 27,903,266</u>	<u>\$ 24,098,157</u>	<u>\$ 23,950,229</u>	<u>\$ 24,854,885</u>
Increase in Net Assets Before Transfers	\$ (1,253,652)	\$ 6,126,233	\$ 2,377,506	\$ 3,155,594	\$ (2,230,557)
Transfers	-	(543,527)	-	3,306,122	3,337,702
Increase (Decrease) in Net Assets	<u>\$ (1,253,652)</u>	<u>\$ 5,582,706</u>	<u>\$ 2,377,506</u>	<u>\$ 6,461,716</u>	<u>\$ 1,107,145</u>
Net Assets October 1	33,601,883	28,019,177	27,608,323	21,165,010	20,057,865
Prior Period Adjustment	(202,802)	-	(1,966,652)	(18,403)	-
Net Assets September 30	<u>\$ 32,145,429</u>	<u>\$ 33,601,883</u>	<u>\$ 28,019,177</u>	<u>\$ 27,608,323</u>	<u>\$ 21,165,010</u>

*(Remainder of Page Intentionally Left Blank)*

**TABLE 14 - MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are affected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. The City levies an additional sales and use tax of one-half of one percent ( $\frac{1}{2}$  of 1%) for economic development and an additional one-half of one percent ( $\frac{1}{2}$  of 1%) for property tax reduction. The sales tax for economic development is collected solely for the benefit of the Brownwood Municipal Development District (the "District") and may be pledged to secure payment of sales tax revenue bonds issued by the District.

Fiscal Year Ended	Total	% of	Equivalent of	Per
9/30	Collections <sup>(1)</sup>	Ad Valorem Tax Levy	Ad Valorem Tax Rate	Capita
2021	\$6,627,106	90.72%	\$ 0.0068	\$ 344
2022	6,814,240	93.19%	0.0066	353
2023	7,393,146	93.93%	0.0062	213
2024	7,186,982	87.88%	0.0056	373
2025	3,245,063 <sup>(2)</sup>	36.60%	0.0024	174

(1) Includes the sales tax for reduction of property taxes; does not include the sales tax for economic development.

(2) As of April 30, 2025.

The sales tax breakdown for the City is as follows:

City Sales & Use Tax	\$ 0.0100
City Economic Development	0.0050
County Sales & Use Tax	0.0050
State Sales & Use Tax	0.0625
Total	<u>\$ 0.0825</u>

## FINANCIAL POLICIES

The City's basic financial statements are prepared in accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB), Basic Financial Statement- and Management's Discussion and Analysis-for State and Local Governments, which establishes standards for external financial reporting for all state and local governmental entities, which include a balance sheet, a statement of revenue, expenses, and changes in net assets, and a direct method statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. Additionally, the financial statements of the City are prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting, the City has not elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board issued after November 30, 1989, unless they conflict with or contradict GASB pronouncements. As described in Note 19 to the financial statements attached hereto as Exhibit B, in 2015 the City adopted new accounting guidance, Statement No. 65, Items Previously Reported as Assets and Liabilities, Statement No. 68, Accounting and Financial Reporting for Pensions, and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date-an Amendment of GASB Statement No. 68.

## INVESTMENTS

The City invests its investable funds in investments authorized by Texas law including particularly the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS** . . . Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed

by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this State that the investing entity selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit and share certificates (i) issued by a depository institution that has its main office or a branch office in the State of Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Insurance Fund or its successor, or are secured as to principal by obligations described in the clauses (1) through (8) or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (14) a no-load money market mutual fund registered with and regulated by the Securities and Exchange Commission that provides the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with federal Securities and Exchange Commission Rule 2a-7; (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (16) aggregate repurchase agreement transactions entered into by an investing entity in conformity with the provisions of subsections (a-1), (f) and (g) of Section 2256.011 of the Public Funds Investment Act. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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(f) and (g) of Section 2256.011 of the Public Funds Investment Act. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

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**INVESTMENT POLICIES . . .** Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio; and (6) yield.

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Under State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio and requires an interpretation of subjective investment standards) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

**TABLE 15 - CURRENT INVESTMENTS<sup>(1)</sup>**

Type of Investment	Book Value	% of Book Value
TexPool	\$ 12,977,312	59.90%
TexStar	8,687,955	40.10%
	<u>\$ 21,665,267</u>	<u>100.00%</u>

As of February 28, 2025, the City's investable funds were invested in the following category:

- (1) No funds of the City are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

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## TAX MATTERS

**OPINION...** On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, will render its respective opinions with respect to the Certificates that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C -- Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates, as applicable. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects financed or refinanced with the proceeds of the Certificates. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinions of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

**FEDERAL INCOME TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT...** The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the tax-exempt obligations may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificate"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the particular series of obligations less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificate and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificates for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity

(determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificates.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificates.

**COLLATERAL FEDERAL INCOME TAX CONSEQUENCES...**The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Interest on the Certificates may be includable in certain corporation's "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

**STATE, LOCAL AND FOREIGN TAXES...**Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

**FUTURE AND PROPOSED LEGISLATION...**Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

**INFORMATION REPORTING AND BACKUP WITHHOLDING ...**Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of foreign investors, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates pursuant to the United States Securities and Exchange Commission's (the "SEC") Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

**ANNUAL REPORTS . . .** The City will provide certain updated financial information and operating data annually to the MSRB. The information to be updated includes financial information and operating data with respect to the City of the general type of included in this Official Statement under Tables numbered 1 through 6 and 8 through 15 (such information being the "Annual Operating Report"). The City will additionally provide financial statements of the City (the "Financial Statements"), that will be (i) prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation and shall be in substantially the form included in Appendix B and (ii) audited, if the City commissions an audit of such Financial Statements and the audit is completed within the period during which they must be provided. The City will update and provide the Annual Operating Report within six months after the end of each fiscal year beginning with the fiscal year ending in or after 2025 and the Financial Statements within 12 months of the end of each fiscal year, beginning with the fiscal year ending in or after 2024. The City may provide the Financial Statements earlier, including at the time it provides its Annual Operating Report, but if the audit of such Financial Statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited Financial Statements within such 12-month period and audited Financial Statements for the applicable fiscal year, when and if the audit report on such Financial Statements becomes available.

The City's current fiscal year end is September 30. Accordingly, the City must provide the Annual Operating Report by the last day of March in each year and audited Financial Statements for the preceding fiscal year (or unaudited Financial Statements if the audited Financial Statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by SEC Rule 15c2-12 (the "Rule").

**NOTICE OF CERTAIN EVENTS . . .** The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, any event described in clause (12) of in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an Ordinance confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. Neither the Certificates nor the

Ordinance make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement. The City will provide each notice described in this paragraph to the MSRB. For the purposes of the above describe events (15) and (16), the term “financial obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a financial obligation shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

**AVAILABILITY OF INFORMATION.** . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

**LIMITATIONS AND AMENDMENTS** . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell the Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell the Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS** . . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule. In each of the last four years, however, the City’s audited financial statements have not been available by the required time and, therefore, the City has timely filed updated unaudited financial information in the form of updates to certain tables of the type included in this Official Statement. The City has subsequently amended this information when the City’s audited financial statements have become available and accepted by the City. The City has engaged a new CPA firm and expects the change in auditors will ensure timely preparation of its annual audited financial statements.

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## **OTHER INFORMATION**

### **RATING**

The presently outstanding tax supported debt of the City is rated "A3" (Stable Outlook) by Moody's Investors Service, Inc. ("Moody's"), without regard to credit enhancement. The City has submitted an application with Moody's for the purpose of obtaining a contract rating on the Certificate. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the view of such organizations and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward and withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

## **LITIGATION**

It is the opinion of City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

At the time of the initial delivery of the Certificates, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale or delivery of the Certificates.

## **REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE**

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Certificates been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Certificates shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

It is the obligation of the Underwriter to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City has agreed to cooperate, at the Underwriter's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

## **LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS**

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

## **LEGAL OPINIONS**

The City will furnish the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Certificate and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions "The Certificates" (exclusive of subcaptions "DTC Notices", "Book-Entry-Only System," "Certificateholders' Remedies," "Use of Proceeds" and the last sentence under the subcaption "Tax Rate Limitation"), "Tax Matters" and "Continuing Disclosure of Information" (exclusive of the subcaptions "Availability of Information" and "Compliance with Prior Undertakings") and the subcaptions "Other Information - Legal Opinions" (exclusive of the last sentence of the first paragraph thereof), "Other Information - Registration and Qualification of Certificates for Sale" and "Other Information - Legal Investments and Eligibility to Secure Public Funds in Texas" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The City expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the

Certificates from proceeds of the Certificates. Certain legal matters will be passed upon for the Underwriter by Norton Rose Fulbright US LLP, Dallas, Texas, Counsel to the Underwriter, whose legal fee is contingent on the sale and delivery of the Certificates.

The legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

#### **FINANCIAL ADVISOR**

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. HilltopSecurities, in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the City and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

#### **UNDERWRITING**

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering prices to the public shown on page 2 hereof, less an underwriting discount of \$\_\_\_\_\_, and no accrued interest. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

#### **FORWARD-LOOKING STATEMENTS DISCLAIMER**

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City's expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements. The City's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

#### **INFECTIOUS DISEASE OUTLOOK (COVID-19)**

In February 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On February 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

COVID-19 has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant fluctuations attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the State and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property and could reduce or negatively affect property values or homebuilding activity within the City and/or the collection of sales and other excise taxes, charges, and fees within the City as well as the assets of City pension funds. See "DEBT INFORMATION -- Pension Fund" and "-- Other Post-Employment Benefits". The Certificates are secured by an ad valorem tax within the limits prescribed by law, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates as well as the City's share of operations and maintenance expenses payable from ad valorem taxes.

The City also collects a sales and use tax on all taxable transactions within the City's boundaries, and other fees that depend on business activity (see "Table 14-Municipal Sales Tax History "). Actions taken to slow COVID-19 are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of taxes, sales revenues and other fees and charges may negatively impact the City's operating budget and overall financial condition.

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the City. While the potential impact of COVID-19 on the City cannot be quantified at this time, the continued outbreak of COVID-19, or variants of COVID-19, could have an adverse effect on the City's operations and financial condition. See "FINANCIAL INFORMATION" for the City's current fund balances.

The City can make no representation or give any assurance regarding the short or long-term impact that the outbreak of COVID-19, or variants of COVID-19, may have on the City or its finances.

#### **MISCELLANEOUS**

The financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and orders contained in this Official Statement are made subject to all of the provisions of such statutes, documents and orders. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

The Ordinance authorizing the issuance of the Certificates will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Underwriter.

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Mayor  
City of Brownwood, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY



## THE CITY

### POPULATION AND LOCATION

The City of Brownwood, 2020 U.S. Census – 18,880 is located in Central Texas, 160 miles southwest of Dallas and 75 miles southeast of Abilene. The City is an industrial, transportation and commercial center, and is the County Seat of Brown County.

### LABOR FORCE ESTIMATES

	Annual Averages				
	2024	2023	2022	2021	2020
<b>Brown County</b>					
Civilian Labor Force	18,126	17,227	17,374	17,556	17,487
Total Employment	17,480	16,550	16,708	16,754	16,497
Unemployment	646	677	666	802	990
Percent Unemployment	3.6%	3.9%	3.8%	4.6%	5.7%
<b>State of Texas</b>					
Civilian Labor Force	15,608,972	15,217,552	14,741,150	14,319,776	13,950,305
Total Employment	14,971,373	14,608,665	14,159,995	13,512,599	12,879,942
Unemployment	637,599	608,887	581,155	807,177	1,070,363
Percent Unemployment	4.1%	4.0%	3.9%	5.6%	7.7%

Source: Texas Workforce Commission, Labor Market Information Department.

(1) Data as of April 30, 2025.

### MAJOR EMPLOYERS IN BROWNWOOD AND VICINITY

Name of Company	Product or Service	Estimated 2018 Employment <sup>(1)</sup>
1 Kohler Company	Plumbing Fixtures	1,145
2 3M Company	Reflective Sheeting	600
3 Brownwood Regional Medical Center	Health Care	586
4 Brownwood Independent School District	Education	505
5 Superior Essex Corporation	Wiredrawing and Insulating	490
6 Howard Payne University	Education	432
7 Texas Youth Commission	Rehabilitation/Education of Convicted Youth	411
8 Wal-Mart Super Center	Retail	350
9 City of Brownwood	Municipal Government	297
10 Brown County	County Government	250

(1) Source: Brownwood Municipal Development District.

### TRANSPORTATION

Brownwood is an intersection point for several U.S. and State Highways; these include U.S. Highways 67, 84, 183 and 377, and State Highway 279. Brownwood Regional Airport, owned and operated by the City, has paved 5,600' and 4,500' runways with medium intensity lighting. Rail service is furnished by the Burlington Northern and Santa Fe Railway.

### EDUCATION

The Brownwood Independent School District provides public education in grades K-12; total enrollment in 2021-2025 was approximately 3,097.

Howard Payne University, established in 1889 and located in Brownwood, is a coeducational, liberal arts university operated by the Baptists General Convention of Texas. The University has annual enrollment of approximately 1,000.

Texas State Technical College - Sweetwater, a State institution offering vocational/technical instruction, maintains an extension center in Brownwood.

Other area Colleges and Universities include Cisco Junior College, located in Cisco; Ranger College, located in Ranger; and Tarleton State University, located in Stephenville.

#### **HEALTH AND MEDICAL CARE**

Brownwood Regional Medical Center, a 188-bed, acute general care hospital with complete ancillary services, constructed and owned by Brown County Hospital Authority, is leased to Columbia/HCA, Inc., which is responsible for management and finances of the hospital. Several nursing home facilities are located in the City.

#### **STATE OF TEXAS CORRECTIONAL FACILITY**

The Texas Department of Criminal Justice operates the 596-inmate capacity Thomas R. Havins Unit, a Substance Abuse Treatment Center (the "Correctional Facility") on a 300 acre site separated from the City's south city limits by Farm Road 45. The Correctional Facility employs approximately 181 persons. Water, sewer and sanitation services for the Correctional Facility are provided by the City.

#### **MISCELLANEOUS**

Recreational and cultural facilities include 16 City parks, including swimming pools and tennis facilities; Brownwood Country Club with an 18-hole golf course and other facilities; Lake Brownwood and Lake Brownwood State Park; Brownwood Coliseum events; Howard Payne University events. There is one daily newspaper, several radio stations and cable television. The City is also a State 4-H Club center.

Water and Sewer services - City of Brownwood

Gas – Atmos Energy

Electric – Oncor Electric Delivery

#### **BROWN COUNTY**

Brown County, 2020 U.S. Census – 38,095, is in West Central Texas 160 miles southwest of Dallas and 135 miles northwest of Austin. The City of Brownwood (2010 U.S. Census 19,288) is the County Seat and the economic, industrial, educational, medical and cultural center of the area. Other incorporated cities (and their 2020 population estimates) are Bangs (1,509), Blanket (367) and Early (2,962).

U. S. Highways 67, 84, 183 and 377, State Highway 279 and a paved system of farm-to-market roads serve the County.

Minerals found in Brown County include oil, gas, paving materials, gravel and clays. The Railroad Commission of Texas reports that 186,522 MCF of natural gas and 38,547 bbls of crude oil were recovered as of January 2024.

## **APPENDIX B**

### EXCERPTS FROM THE CITY OF BROWNWOOD, TEXAS ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2023

The information contained in this Appendix consists of excerpts from the City of Brownwood, Texas Annual Financial Report for the Year Ended September 30, 2023 and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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**D. A. "Tony" Krischke, CPA**

## INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and City Council  
City of Brownwood  
Brownwood, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Brownwood, Texas as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Brownwood, Texas, as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the City of Brownwood, Texas and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brownwood, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will

always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City of Brownwood, Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Brownwood, Texas' ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of changes in net pension liability and related ratios, the schedules of pension contributions and budgetary comparison information on pages 4-9 and 52-65 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Brownwood, Texas' basic financial statements. The combining financial statements and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, I have also issued my report dated February 26, 2024, on my consideration of the City of Brownwood, Texas' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Brownwood, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Brownwood, Texas' internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Kruschke CPA, PC". The signature is written in a cursive, flowing style.

Kruschke CPA, PC  
February 26, 2024

**City of Brownwood**  
**Management's Discussion and Analysis**  
**For Year Ended September 30, 2023**  
**(Unaudited)**

As management of the City of Brownwood, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Brownwood for the fiscal year ended September 30, 2023. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### **Financial Highlights**

- The assets of the City of Brownwood exceeded its liabilities at the close of the fiscal year by \$55,783,509 (net position), an increase of \$9,513,180 as compared to the prior year. Of this amount, \$2,233,245 is restricted for debt service, construction and other uses. The amount invested in fixed assets is \$52,108,413 leaving \$1,441,851 in unrestricted net position.
- As of the close of the current fiscal year, the City's governmental activities reported combined ending net position of \$33,601,883, an increase of \$5,582,706 in comparison with the prior year.
- At the end of the current fiscal year, unrestricted net position for the governmental activities was a negative \$(3,933,628) as compared to a negative \$(283,009) in the prior year. Net position invested in capital assets for governmental activities increased by \$8,880,483. Net position invested in restricted assets for governmental activities increased by \$352,842.
- The City's total liabilities increased by \$14,730,908 during the current fiscal year. Long-term liabilities increased by \$15,120,120 and net pension liability increased by 10,692,813. However, current liabilities decreased by \$6,884,969 and deferred inflows decreased by \$4,197,056.
- Total revenue increased by \$8,830,445 over the prior year. General revenues such as property taxes, sales tax and other taxes increased by \$2,091,844 while operating revenues such as water sales, sewer fees and sanitation fees increased by \$1,072,568. There was a net increase of \$5,666,033 in grant and other contributions, which included \$7,337,315 in contributions from the Brownwood Municipal Development District for construction of the Event Center.
- Expenditures increased by \$5,813,557 primarily due to the combined effect of an increase in Public Safety costs of \$1,565,718, an increase of \$1,015,527 in General Government, an increase of \$854,646 in Parks and Community Facilities costs, and an increase of \$270,021 in Streets. Operating costs for enterprise activities such as Water, Sewer, Sanitation, Landfill and Airport increased by \$1,507,183.
- The year ended with a net surplus of \$9,513,180 compared with a surplus of \$6,496,292 in the prior year.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City.

### **Required Components of Annual Financial Report**

#### **Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the proprietary funds statements.



The next section of the basic financial statements is the **Notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **Required Supplementary Information** is provided to show details about the City's pension funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole. The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and total liabilities. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, street maintenance, parks and recreation, community meeting facilities, health services, and general administration. Taxes finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the water, sewer and sanitation services offered by the City as well as the City operated landfill and airport. The final category is the component unit. Although legally separate from the City, Brownwood Municipal Development District is important to the City because the City exercises control by appointing its board members.

The Government-wide Financial Statements are on pages 10-14 of this report.

## **Fund Financial Statements**

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Brownwood, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance with finance-related legal requirements. All of the funds of City can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the city's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called modified accrual accounting that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The Governmental Fund Financial Statements are on pages 15-19 of this report.

**Proprietary Funds** – The City of Brownwood has three major proprietary funds. The Utility Fund is used to account for its water and sewer operations. The Sanitation Fund is used to account for its sanitation service and the operations of the landfill. The Airport Fund is used to account for the operations of the Brownwood Regional Airport. These funds are the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

The Proprietary Funds Financial Statements are on pages 20-23 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The Notes to the Financial Statements are on pages 24-51 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain supplementary information. This includes combining financial statements.

### Government-Wide Financial Analysis

The City's combined net position increased from \$46,270,329 last year to \$55,783,509 this year, an increase of \$9,513,180. Although there were a variety of factors, the key changes are described under the Financial Highlights section.

#### City of Brownwood Net Position

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	\$ 15,213,396	\$ 16,845,586	\$ 16,679,797	\$ 10,160,785	\$ 31,893,193	\$ 27,006,371
Capital Assets	47,857,773	40,636,428	37,593,657	30,916,332	85,451,430	71,552,760
Deferred Outflows	5,703,516	1,463,562	1,569,018	350,376	7,272,534	1,813,938
Total Assets	<u>\$ 68,774,685</u>	<u>\$ 58,945,576</u>	<u>\$ 55,842,472</u>	<u>\$ 41,427,493</u>	<u>\$ 124,617,157</u>	<u>\$ 100,373,069</u>
Current liabilities	\$ 9,289,272	\$ 8,914,560	\$ 3,879,740	\$ 11,139,421	\$ 13,169,012	\$ 20,053,981
Long-term liabilities	10,358,109	11,579,700	26,887,172	10,545,461	37,245,281	22,125,161
Pension Liability	15,125,440	6,818,106	2,787,679	402,200	17,913,119	7,220,306
Deferred Inflows	399,981	3,614,033	106,255	1,089,259	506,236	4,703,292
Total Liabilities	<u>\$ 35,172,802</u>	<u>\$ 30,926,399</u>	<u>\$ 33,660,846</u>	<u>\$ 23,176,341</u>	<u>\$ 68,833,648</u>	<u>\$ 54,102,740</u>
Net Position:						
Invested in capital assets						
net of related debt	\$ 36,476,458	\$ 27,595,975	\$ 15,631,955	\$ 18,943,797	\$ 52,108,413	\$ 46,539,772
Restricted	1,059,053	706,211	1,174,192	104,428	2,233,245	810,639
Unrestricted	(3,933,628)	(283,009)	5,375,479	(797,073)	1,441,851	(1,080,082)
Total Net Position	<u>\$ 33,601,883</u>	<u>\$ 28,019,177</u>	<u>\$ 22,181,626</u>	<u>\$ 18,251,152</u>	<u>\$ 55,783,509</u>	<u>\$ 46,270,329</u>

### Analysis of the City's Operations:

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City of Brownwood exceeded liabilities by \$55,783,509 as of September 30, 2023. However, the largest portion of the City's net position (93.4%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City's net position (4.0%) represents resources that are subject to external restrictions on how they may be used, primarily bond funds that must be used for specific projects. This leaves an unrestricted balance of \$1,441,851. This was an increase of \$2,521,933 or 233.5% over the prior year.

**Governmental activities:** Governmental activities increased the City's net position by \$5,582,706.

**Business-type activities:** Business-type activities increased the City's net position by \$3,930,474.

The following table provides a summary of the City's operations for year ended September 30, 2023:

<b>City of Brownwood Changes in Net Position</b>							
	Governmental Activities		Business-type Activities		Totals		
	2023	2022	2023	2022	2023	2022	
Revenues:							
Program Revenues:							
Fees, fines, and charges for services	\$ 3,233,641	\$ 2,997,189	\$ 20,140,465	\$ 19,304,349	\$ 23,374,106	\$ 22,301,538	
Operating grants and contributions	2,786,233	1,985,822	-	-	2,786,233	1,985,822	
Capital grants and contributions	7,533,772	2,659,372	49,109	57,887	7,582,881	2,717,259	
General Revenues:							
Ad valorem taxes	7,918,217	7,368,702	-	-	7,918,217	7,368,702	
Sales tax	7,393,146	6,814,240	-	-	7,393,146	6,814,240	
Other revenues	5,164,490	4,650,338	775,349	326,078	5,939,839	4,976,416	
Total Revenues	\$ 34,029,499	\$ 26,475,663	\$ 20,964,923	\$ 19,688,314	\$ 54,994,422	\$ 46,163,977	
Expenses:							
General government and administration	\$ 7,539,319	\$ 6,523,792	\$ -	\$ -	\$ 7,539,319	\$ 6,523,792	
Public Safety	11,221,839	9,656,121	-	-	11,221,839	9,656,121	
Streets	2,943,398	2,673,377	-	-	2,943,398	2,673,377	
Parks & Community Facilities	3,734,193	2,879,547	-	-	3,734,193	2,879,547	
Community Development	260,431	146,356	-	-	260,431	146,356	
Special Rev Activities	2,062,710	1,902,485	-	-	2,062,710	1,902,485	
Water & Sewer	-	-	9,389,645	8,469,069	9,389,645	8,469,069	
Sanitation & Landfill	-	-	5,831,646	5,165,915	5,831,646	5,165,915	
Airport	-	-	1,513,608	1,592,732	1,513,608	1,592,732	
Interest on long-term debt & debt issuance cost	141,376	316,479	843,077	341,812	984,453	658,291	
Total Expenses	\$ 27,903,266	\$ 24,098,157	\$ 17,577,976	\$ 15,569,528	\$ 45,481,242	\$ 39,667,685	
Change in net position before transfers	\$ 6,126,233	\$ 2,377,506	\$ 3,386,947	\$ 4,118,786	\$ 9,513,180	\$ 6,496,292	
Transfers	(543,527)	-	543,527	-	-	-	
Change in net position	\$ 5,582,706	\$ 2,377,506	\$ 3,930,474	\$ 4,118,786	\$ 9,513,180	\$ 6,496,292	
Net position October 1	28,019,177	25,641,671	18,251,152	14,132,366	46,270,329	39,774,037	
Net position September 30	\$ 33,601,883	\$ 28,019,177	\$ 22,181,626	\$ 18,251,152	\$ 55,783,509	\$ 46,270,329	

## Financial Analysis of the City of Brownwood Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,298,982 as compared to \$8,267,457 in the prior year, a decrease of \$1,968,475. Total fund balance was \$6,738,370 this year compared to \$8,534,502 in the prior year, a decrease of \$1,796,132. This decline was primarily due to a decrease in the cash and investments balances in the General Fund of \$250,378, a decrease in the restricted assets in the General Fund of \$779,394, an increase in accounts payable of \$1,425,998 and a decrease in unearned revenue of \$656,263.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. These percentages were 19.1% and 20.4% respectively compared to 30.4% and 31.4% in the prior year.

At September 30, 2023, the governmental funds of the City reported a combined fund balance of \$7,463,506 compared to the prior year which was \$9,550,006, a decrease of \$2,086,500.

At September 30, 2022, the governmental funds of the City reported a combined fund balance of \$9,550,006 compared to the prior year which was \$10,412,059, a decrease of \$862,053.

**Proprietary Funds.** The City's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Utility (Water Delivery, Wastewater Collection and Wastewater Treatment), Sanitation (Trash Collection and Landfill) and Airport Funds at the end of the fiscal year amounted to \$5,375,479. This represented an increase of \$6,172,552.

**Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

In the General Fund, revenues were over budgeted amounts by \$2,225,757 or 10.4% while expenditures came in over budget by \$25,070 or 0.1%. This represented a net positive variance of \$2,250,827.

### **Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2023, totals \$85,451,430 (net of accumulated depreciation). These assets include buildings, roads and bridges, land, machinery and equipment, park facilities, and vehicles.

Additional information on the City's capital assets can be found in Note 8 of the Basic Financial Statements.

**Long-term Debt.** As of September 30, 2023, the City had total bonded debt outstanding of \$25,378,849. All of this debt is backed by the full faith and credit of the City. None of the debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) since the last remaining revenue bond was refunded in September, 2005.

Additional information regarding the City's long-term debt can be found in Note 10 of the Basic Financial Statements.

### **Economic Factors**

The following key economic indicators reflect the growth and prosperity of the City of Brownwood.

- Low unemployment. Brown County's average unemployment rate for 2023 was 3.6% compared to the state average (3.5%) and national average (3.5%).

- Increasing property values. Taxable assessed values for 2023 increased by 15.03% from \$1,031,521,241 in 2022 to \$1,186,593,610 in 2023.
- Sales tax collections increased from \$2.20M in the prior year to \$2.37M in the current year for the economic development ½ cent tax, primarily due to improvements in our local economy.

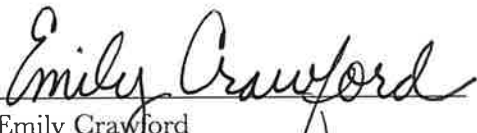
### **Budget Highlights for the Fiscal Year Ending September 30, 2024**

**Governmental Activities:** The property tax rate decreased from .6864 the prior year to .6659 cents per hundred dollars valuation. Sales tax is projected to increase by \$631,978 over the amount budgeted in the prior year due to economic growth. Budgeted expenditures in the General Fund are expected to increase by 9.29%. A pay raise of \$389,946 was budgeted for non-civil service employees. Pay raises were budgeted for police and fire employees as a result of meet and confer negotiations.

**Business – type Activities:** There is an increase of 3.26% in the water consumption rate due to BCWID’s increase in the wholesale rate of 6.2%. The water base rate increased by 5% and the sewer rate increased by 8%. Bond payments for the landfill expansion begin in FY 23/24, creating a 5% increase in the sanitation rate and increases in landfill rates (nonresidents only) in the amount of 6.5%.

### **Requests for Information**

This report is designed to provide an overview of the City of Brownwood’s finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Melanie Larose CGFO, Director of Finance, City of Brownwood, PO Box 1389, Brownwood, TX 76804, (325) 646-5775. Email address is [mlarose@brownwoodtexas.gov](mailto:mlarose@brownwoodtexas.gov). Complete financial statements of the component unit can be obtained direct from Brownwood Municipal Development District as detailed in Note 1 to the Basic Financial Statements.

  
Emily Crawford  
City Manager

  
Melanie Larose, CGFO  
Director of Finance

## BASIC FINANCIAL STATEMENTS

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

**STATEMENT OF NET POSITION**

	September 30, 2023			Component Unit
	Primary Government			Brownwood
	Governmental	Business-type	Total	MDD
	Activities	Activities		
<b>ASSETS:</b>				
Pooled cash and cash equivalents	\$ (3,246,956)	\$ 2,107,920	\$ (1,139,036)	\$ (824,822)
Non pooled cash and cash equivalents	2,224	6,393	8,617	
Investments	11,349,725	7,169,500	18,519,225	5,499,877
Investments designated for closure and postclosure		2,341,623	2,341,623	
Receivables, net	2,628,062	1,901,061	4,529,123	386,066
Inventory	18,898	756,684	775,582	
Prepaid expense	2,399	55,896	58,295	
Land held for development			-	540,577
Restricted assets	4,459,044	2,340,720	6,799,764	3,845
Capital assets, net	47,857,773	37,593,657	85,451,430	14,569
Total Assets	\$ 63,071,169	\$ 54,273,454	\$ 117,344,623	\$ 5,620,112
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Amounts related to pensions	\$ 5,703,516	\$ 1,569,018	\$ 7,272,534	\$ -
Total Deferred Outflows of Resources	\$ 5,703,516	\$ 1,569,018	\$ 7,272,534	\$ -
<b>LIABILITIES:</b>				
Accounts payable	\$ 1,973,231	\$ 120,344	\$ 2,093,575	\$ 6,015
Accrued salaries	334,749	88,482	423,231	5,452
Unearned funds - grants	3,470,283		3,470,283	
Liabilities payable from restricted assets:				
Customer utility deposits		1,168,274	1,168,274	
Tax note payable		2,490	2,490	
Bonds payable	65,498	59,652	125,150	3,845
Noncurrent liabilities:				
Estimated liability for landfill closure and postclosure care costs		8,065,490	8,065,490	
Net pension liability	15,125,440	2,787,679	17,913,119	
Compensated absences:				
Portion due or payable within one year	1,420,769	175,394	1,596,163	11,172
Portion due or payable after one year	1,067,034	127,123	1,194,157	5,912
Software subscriptions payable:				
Portion due or payable within one year	37,928	6,769	44,697	
Portion due or payable after one year	39,100		39,100	
Leases payable:				
Portion due or payable within one year	471,449	52,589	524,038	15,459
Portion due or payable after one year	517,869	54,256	572,125	
Notes payable:				
Portion due or payable within one year	558,163	950,588	1,508,751	
Portion due or payable after one year	1,077,411	2,853,149	3,930,560	
Tax note payable:				
Portion due or payable within one year	57,700	39,810	97,510	
Portion due or payable after one year	175,985	129,015	305,000	
Bonds payable:				
Portion due or payable within one year	899,502	1,215,348	2,114,850	281,155
Portion due or payable after one year	7,480,710	15,658,139	23,138,849	4,505,000
Total Liabilities	\$ 34,772,821	\$ 33,554,591	\$ 68,327,412	\$ 4,834,010

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF NET POSITION (CONT.)

September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Brownwood MDD
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Amounts related to pensions	\$ 325,394	\$	\$ 325,394	\$
Amounts related to leases	23,218	106,255	129,473	
Amounts related to bond refunding	51,369		51,369	
Total Deferred Inflows of Resources	\$ 399,981	\$ 106,255	\$ 506,236	\$ -
<b>NET POSITION</b>				
Invested in capital assets, net of related debt	\$ 36,476,458	\$ 15,631,955	\$ 52,108,413	\$
Restricted for:				
Municipal Court	59,042		59,042	
Vehicular child safety	23,440		23,440	
Law enforcement	23,120		23,120	
Drug awareness education	1,873		1,873	
Lehnis Museum	16,906		16,906	
Beautification	2,565		2,565	
Tourism promotion	471,384		471,384	
Debt service	65,498		65,498	
Fabis Park	40,823		40,823	
Construction	137,257	1,174,192	1,311,449	
Grant expenditures	217,145		217,145	
Unrestricted	(3,933,628)	5,375,479	1,441,851	786,102
Total Net Position	\$ 33,601,883	\$ 22,181,626	\$ 55,783,509	\$ 786,102

See accompanying notes to basic financial statements



CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

<u>Functions/programs</u>	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental Activities:				
General government	\$ 6,153,079	\$ 1,427,193	\$ 1,328,085	\$
Municipal court	317,694			
Police	4,867,632	350,333	52,290	
Dispatch	1,195,582	477,412		
Fire	4,520,391	54,365	22,214	111,429
Development services	1,386,240	122,230		
Street	2,943,398			16,228
Health	320,540	175,123	248,967	
Community facilities	1,609,048	69,549	20,120	7,337,315
Parks and recreation	2,125,145	92,954		68,800
Community development	260,431			
Interest on long-term debt	141,376			
Special revenue activities	2,062,710	464,482	1,114,557	
Total Governmental Activities	<u>\$ 27,903,266</u>	<u>\$ 3,233,641</u>	<u>\$ 2,786,233</u>	<u>\$ 7,533,772</u>
Business-type Activities:				
Water	\$ 5,905,803	\$ 7,506,874	\$	\$
Waste water collection	2,000,331	4,201,077		
Waste water treatment	1,483,511			
Sanitation	2,603,110	3,598,147		
Landfill	3,228,536	3,855,060		
Airport	1,513,608	979,307		49,109
Debt issuance costs	88,550			
Interest on long-term debt	754,527			
Total Business-type Activities	<u>\$ 17,577,976</u>	<u>\$ 20,140,465</u>	<u>\$ -</u>	<u>\$ 49,109</u>
<b>TOTAL PRIMARY GOVERNMENT</b>	<u><u>\$ 45,481,242</u></u>	<u><u>\$ 23,374,106</u></u>	<u><u>\$ 2,786,233</u></u>	<u><u>\$ 7,582,881</u></u>
Component Unit:				
Brownwood Municipal Development District	<u>\$ 9,316,710</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to basic financial statement

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Brownwood MDD

\$ (3,397,801)		\$ (3,397,801)	
(317,694)		(317,694)	
(4,465,009)		(4,465,009)	
(718,170)		(718,170)	
(4,332,383)		(4,332,383)	
(1,264,010)		(1,264,010)	
(2,927,170)		(2,927,170)	
103,550		103,550	
5,817,936		5,817,936	
(1,963,391)		(1,963,391)	
(260,431)		(260,431)	
(141,376)		(141,376)	
(483,671)		(483,671)	
<u>\$ (14,349,620)</u>		<u>\$ (14,349,620)</u>	

\$ 1,601,071	\$ 1,601,071
2,200,746	2,200,746
(1,483,511)	(1,483,511)
995,037	995,037
626,524	626,524
(485,192)	(485,192)
(88,550)	(88,550)
(754,527)	(754,527)
<u>\$ 2,611,598</u>	<u>\$ 2,611,598</u>

<u>\$ (14,349,620)</u>	<u>\$ 2,611,598</u>	<u>\$ (11,738,022)</u>
------------------------	---------------------	------------------------

\$ (9,316,710)

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENT OF ACTIVITIES (CONT.)

For the Year Ended September 30, 2023

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		Component Unit
	Governmental Activities	Business-type Activities	Brownwood MDD
CHARGE IN NET POSITION:			
Net Income (Expense)	\$ (14,349,620)	\$ 2,611,598	\$ (11,738,022)
General Revenues:			
Taxes:			
Ad valorem	\$ 7,918,217	\$	\$ 7,918,217
Sales	7,393,146		7,393,146
Other	4,197,211		4,197,211
Earnings on investments	759,145	547,651	1,306,796
Miscellaneous	58,800	127,698	186,498
Gain on disposal of assets	149,334	100,000	249,334
Transfers	(543,527)	543,527	-
Total Revenue	\$ 19,932,326	\$ 1,318,876	\$ 21,251,202
CHARGE IN NET POSITION	\$ 5,582,706	\$ 3,930,474	\$ 9,513,180
NET POSITION - BEGINNING OF YEAR	28,019,177	18,251,152	46,270,329
NET POSITION - END OF YEAR	\$ 33,601,883	\$ 22,181,626	\$ 55,783,509

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

**BALANCE SHEETS**  
**GOVERNMENTAL FUNDS**

September 30, 2023

	General Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
ASSETS:			
Pooled cash and cash equivalents	\$ (3,136,223)	\$ (110,733)	\$ (3,246,956)
Non pooled cash and cash equivalents	2,199	25	2,224
Investments	11,349,725		11,349,725
Receivables, net	2,069,558	355,702	2,425,260
Inventory	18,898		18,898
Prepaid expense	2,399		2,399
Restricted assets	3,842,464	616,580	4,459,044
<b>TOTAL ASSETS</b>	<b>\$ 14,149,020</b>	<b>\$ 861,574</b>	<b>\$ 15,010,594</b>
<u>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>			
LIABILITIES:			
Accounts payable	\$ 1,955,152	\$ 18,079	\$ 1,973,231
Accrued salaries	310,840	23,909	334,749
Compensated absences	1,389,001	31,768	1,420,769
Unearned revenue	3,470,283		3,470,283
<b>TOTAL LIABILITIES</b>	<b>\$ 7,125,276</b>	<b>\$ 73,756</b>	<b>\$ 7,199,032</b>
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	\$ 269,052	\$ 55,786	\$ 324,838
Amounts related to leases	16,322	6,896	23,218
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 285,374</b>	<b>\$ 62,682</b>	<b>\$ 348,056</b>
FUND BALANCES:			
Nonspendable:			
Inventory	\$ 18,898	\$	\$ 18,898
Prepaid expense	2,399		2,399
Note receivable	74,000		74,000
Restricted for:			
Municipal Court	59,042		59,042
Vehicular child safety	23,440		23,440
Law enforcement	23,120		23,120
Drug awareness education	1,873		1,873
Lehnis Museum	16,906		16,906
Beautification	2,565		2,565
Tourism promotion		471,384	471,384
Debt service		65,498	65,498
Fabis Park		40,823	40,823
Construction		137,257	137,257
Grant expenditures	217,145		217,145
Assigned to:			
Health and nutrition programs		59,343	59,343
Unassigned	6,298,982	(49,169)	6,249,813
<b>TOTAL FUND BALANCES</b>	<b>\$ 6,738,370</b>	<b>\$ 725,136</b>	<b>\$ 7,463,506</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 14,149,020</b>	<b>\$ 861,574</b>	<b>\$ 15,010,594</b>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
SHEETS TO THE STATEMENT OF NET POSITION

September 30, 2023

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS	\$ 7,463,506
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and are not reported in the governmental funds balance sheet, net of accumulated depreciation and amortization of \$66,492,984.	47,857,773
Some of the City's taxes will be collected after year end, but are not available soon enough to pay for the current period's expenditures and are reported as unavailable revenue in the governmental funds.	324,838
Revenues receivable on warrants are not current financial resources and are not reported in the governmental funds balance sheet, net of allowance for uncollected warrants of \$218,412.	202,802
Deferred inflows from bond refunding are not reported in the governmental funds balance sheet	(51,369)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds balance sheet	<u>(22,195,667)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 33,601,883</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

**STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2023

	General Fund	Nonmajor Other Governmental Funds	Total Governmental Funds
<b>REVENUES:</b>			
Ad valorem taxes	\$ 6,836,700	\$ 1,059,859	\$ 7,896,559
Sales taxes	7,393,146		7,393,146
Other taxes	3,703,172	494,039	4,197,211
Fines	334,010		334,010
Licenses and fees	167,598		167,598
Charges for services	414,006		414,006
Intergovernmental	1,820,445		1,820,445
Interest	745,892	13,254	759,146
Grants and contributions	9,205,448	1,114,557	10,320,005
Miscellaneous		523,282	523,282
Total Revenue	<u>\$ 30,620,417</u>	<u>\$ 3,204,991</u>	<u>\$ 33,825,408</u>
<b>EXPENDITURES:</b>			
Current:			
City Council	\$ 61,046	\$	\$ 61,046
Administration	421,053		421,053
City Secretary	122,198		122,198
Finance/accounting	409,561		409,561
Municipal Court	303,142		303,142
Police	4,580,724		4,580,724
Dispatch	1,124,283		1,124,283
Fire	4,177,927		4,177,927
Development services	1,320,576		1,320,576
Street	2,185,946		2,185,946
Health	307,014		307,014
Community services	538,317		538,317
Intergovernmental	269,721		269,721
Utility billing	522,353		522,353
Community facilities	9,390,598		9,390,598
Operations support	238,478		238,478
Purchasing/warehouse	193,622		193,622
Parks and recreation	2,939,381		2,939,381
Fleet services	1,049,324		1,049,324
City Attorney	221,871		221,871
Community development	260,431		260,431
Emergency management	10,233		10,233
Human resources	301,112		301,112
General fund contingency	23,342		23,342
Information technology	1,216,997		1,216,997
Transportation museum	220,596		220,596
Other	624,445		624,445
Special revenue funds		2,379,528	2,379,528
Capital outlay		80	80
Debt Service:			
Principal		999,815	999,815
Interest		180,367	180,367
Bond fees		806	806
Total Expenditures	<u>\$ 33,034,291</u>	<u>\$ 3,560,596</u>	<u>\$ 36,594,887</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (2,413,874)</u>	<u>\$ (355,605)</u>	<u>\$ (2,769,479)</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONT.)**

For the Year Ended September 30, 2023

	General Fund	Nonmajor Other Governmental Fund	Total Governmental Funds
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (2,413,874)	\$ (355,605)	\$ (2,769,479)
OTHER FINANCING SOURCES (USES):			
Transfers	\$ (608,764)	\$ 65,237	\$ (543,527)
Note proceeds	243,124		243,124
Lease liability	363,555		363,555
Subscription financing	114,704		114,704
Proceeds from sale of capital assets	505,123		505,123
Net Other Financing Sources (Uses)	\$ 617,742	\$ 65,237	\$ 682,979
NET CHANGE IN FUND BALANCES	\$ (1,796,132)	\$ (290,368)	\$ (2,086,500)
FUND BALANCE - BEGINNING	8,534,502	1,015,504	9,550,006
FUND BALANCE - END OF YEAR	\$ 6,738,370	\$ 725,136	\$ 7,463,506

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENTS OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2023

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,086,500)
The change in net position reported for governmental activities in the statement of activities is different because:	
Governmental funds report capital outlays as expenditures while governmental activities report cost of these assets allocated over their estimated lives as depreciation and amortization expense.	
Capital assets purchased	11,291,105
Depreciation and amortization	(3,713,971)
Cost of capital assets sold	(355,789)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal advances on long-term debt	(710,027)
Principal payments on long-term debt	2,335,956
Change in compensated absences	(291,474)
Current amortization of bond premiums and deferred amount on refunding	46,037
Change in net pension liability and related deferred outflows and inflows	(987,388)
Some of the City's taxes in the statement of activities do not provide current financial resources and are not reported as revenue in the funds.	21,658
Revenues on warrants and citations will not be collected for several months after the City's fiscal year end. They are not considered available revenue and are not included in the governmental fund. Revenues accrued from warrants and citations decreased by this amount this year.	<u>33,099</u>
CHANGES IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 5,582,706</u>

See accompanying notes to basic financial statements



CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENTS OF NET POSITION  
PROPRIETARY FUNDS

September 30, 2023

	<u>Business-Type Activities - Enterprise Fund</u>			
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>CURRENT ASSETS:</b>				
Pooled cash and cash equivalents	\$ 449,622	\$ 1,836,785	\$ (178,487)	\$ 2,107,920
Non pooled cash and cash equivalents	5,343	650	400	6,393
Investments	4,270,390	2,899,110		7,169,500
Investments designated for closure and postclosure		2,341,623		2,341,623
Accounts receivable, net	1,250,931	515,414	72,364	1,838,709
Inventory	689,838		66,846	756,684
Prepaid expenses	8,004	47,892		55,896
Total Current Assets	<u>\$ 6,674,128</u>	<u>\$ 7,641,474</u>	<u>\$ (38,877)</u>	<u>\$ 14,276,725</u>
<b>NONCURRENT ASSETS:</b>				
Restricted assets	\$ 1,189,760	\$ 1,150,960		\$ 2,340,720
Leases receivable			62,352	62,352
Capital assets, net	20,942,702	14,921,776	1,729,179	37,593,657
Total Noncurrent Assets	<u>\$ 22,132,462</u>	<u>\$ 16,072,736</u>	<u>\$ 1,791,531</u>	<u>\$ 39,996,729</u>
<b>TOTAL ASSETS</b>	<u>\$ 28,806,590</u>	<u>\$ 23,714,210</u>	<u>\$ 1,752,654</u>	<u>\$ 54,273,454</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Amounts related to pensions	\$ 755,689	\$ 701,190	\$ 112,139	\$ 1,569,018
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 755,689</u>	<u>\$ 701,190</u>	<u>\$ 112,139</u>	<u>\$ 1,569,018</u>
<b>CURRENT LIABILITIES:</b>				
Accounts payable	\$ 36,243	\$ 80,290	\$ 3,811	\$ 120,344
Accrued salaries	43,343	39,115	6,024	88,482
Leases payable	42,452	9,128	1,009	52,589
Software subscription liability	6,769			6,769
Notes payable	254,765	695,823		950,588
Tax note payable		39,810		39,810
Bonds payable	710,672	504,676		1,215,348
Compensated absences	93,242	60,820	21,332	175,394
Total Current Liabilities	<u>\$ 1,187,486</u>	<u>\$ 1,429,662</u>	<u>\$ 32,176</u>	<u>\$ 2,649,324</u>
<b>LIABILITIES PAYABLE FROM RESTRICTED ASSETS:</b>				
Customer water meter deposits	\$ 1,168,274	\$	\$	\$ 1,168,274
Tax note payable		2,490		2,490
Bonds payable	24,328	35,324		59,652
Total Liabilities Payable from Restricted Assets	<u>\$ 1,192,602</u>	<u>\$ 37,814</u>	<u>\$ -</u>	<u>\$ 1,230,416</u>
<b>NONCURRENT LIABILITIES:</b>				
Compensated absences	\$ 69,129	\$ 41,746	\$ 16,248	\$ 127,123
Net pension liability	1,342,634	1,245,805	199,240	2,787,679
Leases payable	45,369	6,568	2,319	54,256
Notes payable	544,586	2,308,563		2,853,149
Tax note payable		129,015		129,015
Bonds payable	6,112,779	9,545,360		15,658,139
Accrued landfill closure and postclosure care costs		8,065,490		8,065,490
Total Noncurrent Liabilities	<u>\$ 8,114,497</u>	<u>\$ 21,342,547</u>	<u>\$ 217,807</u>	<u>\$ 29,674,851</u>
<b>TOTAL LIABILITIES</b>	<u>\$ 10,494,585</u>	<u>\$ 22,810,023</u>	<u>\$ 249,983</u>	<u>\$ 33,554,591</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Amounts related to leases	\$	\$	\$ 106,255	\$ 106,255
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 106,255</u>	<u>\$ 106,255</u>
<b>NET POSITION:</b>				
Invested in capital assets, net of related debt	\$ 13,225,310	\$ 677,466	\$ 1,729,179	\$ 15,631,955
Restricted for construction		1,174,192		1,174,192
Unrestricted	5,842,384	(246,281)	(220,624)	5,375,479
<b>TOTAL NET POSITION</b>	<u>\$ 19,067,694</u>	<u>\$ 1,605,377</u>	<u>\$ 1,508,555</u>	<u>\$ 22,181,626</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

**STATEMENTS OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET POSITION – PROPRIETARY FUNDS**

For the Year Ended September 30, 2023

	Business-Type Activities - Enterprise Fund			
	Utility Fund	Sanitation Fund	Airport Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for service	\$ 11,707,951	\$ 7,453,207	\$ 979,307	\$ 20,140,465
Miscellaneous	84,826	42,780	92	127,698
Total Operating Revenues	<u>\$ 11,792,777</u>	<u>\$ 7,495,987</u>	<u>\$ 979,399</u>	<u>\$ 20,268,163</u>
<b>OPERATING EXPENSES:</b>				
Personnel services	\$ 2,220,121	\$ 2,161,432	\$ 341,298	\$ 4,722,851
Supplies	279,802	506,926	652,192	1,438,920
Contractual	3,172,143	765,866	107,319	4,045,328
Maintenance	822,023	272,208	97,642	1,191,873
Sundry charges	796,692	466,046		1,262,738
Support services	768,204	473,400		1,241,604
Depreciation and amortization	1,330,660	1,274,318	315,157	2,920,135
Total Operating Expenses	<u>\$ 9,389,645</u>	<u>\$ 5,920,196</u>	<u>\$ 1,513,608</u>	<u>\$ 16,823,449</u>
<b>OPERATING GAIN (LOSS)</b>	<u>\$ 2,403,132</u>	<u>\$ 1,575,791</u>	<u>\$ (534,209)</u>	<u>\$ 3,444,714</u>
<b>NON-OPERATING REVENUE AND EXPENSE:</b>				
Sale of equipment	\$	\$ 100,000	\$	\$ 100,000
Grants and contributions			49,109	49,109
Interest income	122,516	423,847	1,288	547,651
Interest expense	(272,680)	(481,847)		(754,527)
Net Non-Operating Revenue (Expense)	<u>\$ (150,164)</u>	<u>\$ 42,000</u>	<u>\$ 50,397</u>	<u>\$ (57,767)</u>
<b>GAIN (LOSS) BEFORE TRANSFERS</b>	<u>\$ 2,252,968</u>	<u>\$ 1,617,791</u>	<u>\$ (483,812)</u>	<u>\$ 3,386,947</u>
<b>TRANSFERS:</b>				
Operating transfers in	\$ 100,937	\$ 404,411	\$ 38,179	\$ 543,527
Total Transfers	<u>\$ 100,937</u>	<u>\$ 404,411</u>	<u>\$ 38,179</u>	<u>\$ 543,527</u>
<b>CHANGES IN NET POSITION</b>	<u>\$ 2,353,905</u>	<u>\$ 2,022,202</u>	<u>\$ (445,633)</u>	<u>\$ 3,930,474</u>
<b>NET POSITION - BEGINNING</b>	<u>16,713,789</u>	<u>(416,825)</u>	<u>1,954,188</u>	<u>18,251,152</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 19,067,694</u></u>	<u><u>\$ 1,605,377</u></u>	<u><u>\$ 1,508,555</u></u>	<u><u>\$ 22,181,626</u></u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS

For the Year Ended September 30, 2023

	<u>Business-Type Activities - Enterprise Fund</u>			
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 11,818,237	\$ 7,473,471	\$ 983,768	\$ 20,275,476
Cash payments to suppliers for goods and services	(2,271,861)	(2,090,145)	(838,156)	(5,200,162)
Cash payments to employees for services	<u>(5,696,092)</u>	<u>(2,020,459)</u>	<u>(313,518)</u>	<u>(8,030,069)</u>
Net Cash From Operating Activities	\$ 3,850,284	\$ 3,362,867	\$ (167,906)	\$ 7,045,245
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Increase in customer meter deposits	\$ 41,077	\$	\$	\$ 41,077
Transfers in	<u>100,937</u>	<u>404,411</u>	<u>38,179</u>	<u>543,527</u>
Net Cash From Noncapital Financing Activities	\$ 142,014	\$ 404,411	\$ 38,179	\$ 543,527
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from bonds	\$	\$ 9,156,019	\$	\$ 9,156,019
Principal payments on bonds	(710,000)	(255,000)		(965,000)
Principal payments on tax note		(40,185)		(40,185)
Proceeds from notes	156,505	1,261,391		1,417,896
Principal payments on notes	(272,551)	(714,254)		(986,805)
Principal payments on leases	(69,235)	(14,254)	(851)	(84,340)
Principal payments on subscriptions	(6,651)			(6,651)
Proceeds from sale of capital assets		100,000		100,000
Acquisition and construction of capital assets	(199,829)	(9,196,262)	(91,836)	(9,487,927)
Grant income			49,109	49,109
Interest expense	<u>(294,463)</u>	<u>(509,573)</u>		<u>(804,036)</u>
Net Cash From Capital and Related Financing Activities	\$ (1,396,224)	\$ (212,118)	\$ (43,578)	\$ (1,651,920)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Purchase of investments	\$ (3,562,530)	\$ (2,358,739)	\$	\$ (5,921,269)
Interest income	<u>122,516</u>	<u>423,847</u>	<u>1,288</u>	<u>547,651</u>
Net Cash From Investing Activities	\$ (3,440,014)	\$ (1,934,892)	\$ 1,288	\$ (5,373,618)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	\$ (843,940)	\$ 1,620,268	\$ (172,017)	\$ 563,234
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>2,478,872</u>	<u>1,362,139</u>	<u>(6,070)</u>	<u>3,834,941</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,634,932</u>	<u>\$ 2,982,407</u>	<u>\$ (178,087)</u>	<u>\$ 4,398,175</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

STATEMENTS OF CASH FLOWS  
PROPRIETARY FUNDS (CONT.)

For the Year Ended September 30, 2023

	<u>Business-Type Activities - Enterprise Fund</u>			
	<u>Utility Fund</u>	<u>Sanitation Fund</u>	<u>Airport Fund</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME TO				
<u>NET CASH FROM OPERATING ACTIVITIES</u>				
OPERATING GAIN (LOSS)	\$ 2,403,132	\$ 1,575,791	\$ (534,209)	\$ 3,444,714
ADJUSTMENTS TO RECONCILE OPERATING GAIN (LOSS)				
TO NET CASH FROM OPERATING ACTIVITIES:				
Depreciation and amortization	1,337,831	1,274,318	315,157	2,927,306
Closure and postclosure care costs		419,357		419,357
Changes in assets and liabilities:				
Receivables	25,460	(22,516)	4,369	7,313
Inventories	(16,751)		21,911	5,160
Prepaid expense	(5,918)	(47,892)		(53,810)
Accounts payable	(29,071)	22,836	(2,914)	(9,149)
Accrued salaries	15,137	13,339	1,856	30,332
Compensated absences	32,225	6,337	10,893	49,455
Pension assets and liabilities	88,239	121,297	15,031	224,567
NET CASH FROM OPERATING ACTIVITIES	<u>\$ 3,850,284</u>	<u>\$ 3,362,867</u>	<u>\$ (167,906)</u>	<u>\$ 7,045,245</u>

See accompanying notes to basic financial statements

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS

September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of Brownwood, Texas was incorporated in 1884 and adopted its Home Rule Charter in April, 1955, under the provisions of Act 279, P.A. 1909, as amended (Home Rule City Act). The City operates under a council-manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation and social services, cultural-recreation, public improvements, planning and zoning and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and interpretations). The more significant accounting policies established by GAAP and used by the City are discussed below.

Financial Reporting Entity

These financial statements present the City (primary government) and its component unit, the Brownwood Municipal Development District (BMDD). As defined by GASB No. 14, component units are legally separate entities that are included in the City's reporting entity because of the significance of their operating or financial relationships with the City.

BMDD is a political subdivision of the State of Texas and the City of Brownwood and has the powers and duties given by Section 377 of the Texas Local Government Code (Act). The District was established for the purpose of developing and financing all permissible development projects prescribed by the Act. The District receives its primary funding from a local sales tax approved by the voters. The affairs of the District are managed by a Board of Directors. The Board has five members appointed by the Mayor of the City of Brownwood with the approval of the City of Brownwood City Council. The BMDD is reported as a component unit due to the City's power to appoint a voting majority of the Board.

Condensed statements of the discretely presented component unit are shown on the Statement of Net Position and the Statement of Activities in separate component unit columns.

Complete financial statements of the BMDD can be obtained directly as follows:

Brownwood Municipal Development District  
501 Center Avenue  
Brownwood, Texas 76801

Basis of Presentation

The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has not been removed from these statements. All interfund charges are charges for goods or services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Basis of Presentation (Cont.)

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of the governmental funds is on the sources, uses and balances of current financial resources.

The City has presented the following major governmental fund:

General Fund - General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Additionally, the government reports the following nonmajor governmental funds:

Capital Project Funds – Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary and trust funds).

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position.

The City has presented the following major proprietary funds:

Utility Fund - Utility Fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Sanitation Fund – Sanitation Fund is used to account for the revenues and expense associated with providing garbage removal services to the citizens of the City of Brownwood as well as the operation of the municipal solid waste landfill. All costs are financed through charges to customers.

Airport Fund - Airport Fund is used to account for the operation of the Brownwood Regional Airport. All costs are financed through fuel sales and services to customers which include hanger rentals. Major funding has been provided by state and federal grants.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include all cost of personnel and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for the proprietary fund are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 60 days after year end. A one-year availability period is used for recognition of all other Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures are recorded only when payment is due.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the State at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Manager submits to the City Council the proposed operating budget for the upcoming fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comments.
3. Prior to October 1, the budget is legally enacted through passage of an ordinance.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds.

The City of Brownwood prepares its annual budget on a basis (budget basis), which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (budget basis) in the Budgetary Comparison Schedule – General Fund to provide meaningful comparison of actual results with the budget. The differences between budget basis and GAAP basis are shown in the Notes to Budgetary Comparison Schedule.

Cash and Investments

For the purpose of the Statement of Net Position “pooled cash and cash equivalents” includes all demand, savings accounts and certificates of deposit of the City. Investments consist of investments in public funds investment pools and are stated at cost which approximates fair market value. Cash of all funds, including restricted cash, but excluding

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Cash and Investments (cont.)

debt service funds is pooled into common pooled accounts in order to maximize investment opportunities. Each fund whose monies are deposited in the pooled account has an equity therein. An individual fund's pooled cash and cash investments are available upon demand and are considered to be cash equivalents.

Inventories

Inventories are valued at the lower of average cost or market. Inventories of the general fund and proprietary funds consist of supplies held for consumption.

Interfund Receivables and Payables

Any residual balance outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances".

Transactions Between Funds

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollected accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include ad valorem and sales taxes. Business-type activity receivable balances are from utility sales.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets are capitalized that have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	10-40 Years
Infrastructure	10-40 Years
Machinery and Equipment	3-10 Years
Improvements	10-20 Years

Improvements and equipment for each cell at the City's landfill are depreciated over the time period that each cell is receiving solid waste.

Compensated Absences

The City Council has adopted a policy whereby employees are paid lump sum payments for vacation, sick leave and holiday leave if they leave City employment. Upon termination, up to twenty-seven days of accumulated vacation at full pay, up to forty-five days of accumulated sick leave at full pay and up to ten days of accumulated holiday leave



CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Compensated Absences (cont.)

will be paid if the employee meets the prescribed conditions. Civil service employees are paid up to twenty-seven days of accumulated vacation for police and up to forty-five days of accumulated vacation for firefighters, up to ninety days of accumulated sick leave and up to ten days of accumulated holiday leave.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Government-wide and Proprietary Net Position

Government-wide and proprietary fund net position is divided into three components:

- Net investment in capital assets – consist of historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets plus deferred outflows of resources less deferred inflows of resources related to those assets.
- Restricted net position – consist of assets that are restricted by the City's creditors, by enabling legislation, by grantors and by other contributors.
- Unrestricted – all other net position is reported in this category.

Governmental Fund Balance

The City follows GASB No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* which provides clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance – amounts that are not in a spendable form or are required to be maintained intact
- Restricted fund balance – amounts constrained to specific purposes by their providers, through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint
- Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority
- Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund

City Council establishes fund balance commitments by passage of an ordinance or resolution. Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purposes.

Deferred Inflows/Outflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Deferred Inflows/Outflows of Resources (cont.)

(expenses/expenditure) until then. The City has one item that qualifies for reporting in this category. Accordingly, this item, amounts related to pensions, is reported on the government wide statement of position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The City has four items that qualify for reporting in this category. Three of the items, amounts related to pensions, amounts related to leases and amounts related to bond refunding, are reported on the government wide statement of position. The amount related to leases is also reported on the governmental funds balance sheet. The City has another item which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Deferred outflows of resources are used to report consumptions of net position by the City that are applicable to a future reporting period. Deferred inflows of resources are used to report acquisitions of net position by the City that are applicable to future reporting periods. The deferred inflow is reclassified to revenue on the government-wide financial statements.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the respective fiduciary. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 2: PROPERTY TAX

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the year in which imposed. On January 1, of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period or expected to be collected during the sixty-day period after the close of the fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

The City places its investable funds in investments authorized by Texas law (The Public Funds Investment Act-Government Code Chapter 2256) in accordance with investment policies approved by the City Council of the City. Both state law and the City's investment policies are subject to change. Under Texas law and City policy, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity and the quality and capability of investment management. All City funds must be invested in a manner that provides the highest investment return with the maximum security while meeting the daily cash flow demands of the City. The objectives of the City's investment policy are safety, availability, diversification and highest rate of return. The Public Funds Investment Act requires the City to have independent auditors perform test procedures related to investment practices approved by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

Legal Investments

The City is authorized by statute to invest in (a) U.S. Treasury Bills and Notes, (b) Repurchase Agreements with a maximum maturity at purchase of 90 days and an average maturity at any point in time not exceeding 30 days, (c) Certificates of Deposit with a maturity of one year or less insured by the Federal Deposit Insurance Corporation or collateralized by pledged securities, (d) Government/Private Sponsored Investment Funds, Notes of the Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Student Loan Marketing Association, Federal Farm Credit Bank and Federal Home Loan Bank with a maximum maturity of 2 years and average maturity not exceeding 1 year, (f) no load Money Market Mutual Funds with dollar weighted average maturity of 90 days or less and maintenance of a stable net asset value of \$1 per share and no load Mutual Funds with an average weighted maturity of less than 2 years rated no less than AAA, (g) Commercial Paper with a maturity of less than 365 days and rates not less than A-1 or P-1, (h) Bankers Acceptances with an maturity of 270 days or less, (i) GNMA Securities with a stated final maturity of 10 years or less and (j) Direct Obligations of the State of Texas or its agencies.

Custodial Credit Risk

City funds are required to be deposited and invested under the terms of a depository contract and investment policy pursuant to state statute. The depository bank deposits for safekeeping and trust with its agent approved pledged securities authorized by Government Code Chapter 2257 Collateral for Public Funds in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. At September 30, 2023, \$2,110,364, of the City's deposit balances were exposed to custodial credit risk by being uninsured by FDIC but collateralized by securities held by the pledging financial institution's agent not in the City's name.

Interest Rate Risk

For short term liquidity requirements, the City utilized two local government investment pools. TexPool is managed by Federated Hermes, Inc. for the Texas Comptroller of Public Accounts and was created to invest funds on behalf of Texas political subdivisions. The pool operates on a \$1 net asset value basis and allows same day or next day redemptions and deposits. At September 30, 2023, TexPool's portfolio maintained a weighted average maturity of approximately 28 days. The other local government investment pool utilized by the City is TexStar which is managed by HilltopSecurities and JP Investment Management, Inc. At September 30, 2023, TexStar's portfolio maintained a weighted average maturity of approximately 29 days. TexPool and TexStar's investment policies limit the weighted average maturity to 60 days. The pools do not invest in derivatives. In order to maintain a stable \$1 price of the funds, the pools will sell portfolio holdings if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than .995 or greater than 1.005. The \$1 price is not guaranteed or insured by the State of Texas, the Comptroller of Public Accounts, the pools or their administrators.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating agency. At September 30, 2023, the City's investments in TexPool and TexStar were both rated AAAM by Standard and Poor's.

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 3: DEPOSITS AND INVESTMENTS (CONT.)

Cash for Cash Flows Statement

Proprietary funds cash and cash equivalents at September 30, 2023 are as follows:

	Utility Fund	Sanitation Fund	Airport Fund
Pooled cash and cash equivalents	\$ 449,622	\$ 1,836,785	\$ (178,487)
Non pooled cash and cash equivalents	5,343	650	400
Restricted cash	1,179,967	1,144,972	
Total	<u>\$ 1,634,932</u>	<u>\$ 2,982,407</u>	<u>\$ (178,087)</u>

NOTE 4: RESTRICTED ASSETS

Certain cash balances and investments are restricted by constraints externally imposed by creditors, grantors, contributors, laws or regulations. The following is a summary of restricted assets grouped by restriction at September 30, 2023:

	Governmental Activities	Business-type Activities	Component Unit - BMDD
Restricted for debt service payments	\$ 65,498	\$ 56,810	\$ 3,845
Restricted for drug awareness education	1,873		
Restricted for law enforcement	23,120		
Restricted for vehicular child safety	23,440		
Restricted for beautification	2,822		
Restricted for municipal court	60,709		
Restricted for tourism promotion	373,688		
Restricted for Lehnis Museum	16,906		
Restricted for Fabis Park	40,137		
Restricted for construction or purchase of fixed assets	3,681,523	1,115,636	
Restricted for grant expenditures	169,328		
Restricted for customer deposits		1,168,274	
Total Restricted Assets	<u>\$ 4,459,044</u>	<u>\$ 2,340,720</u>	<u>\$ 3,845</u>

Restricted assets in the City included \$3,175,031 in cash and \$3,624,733 in investments. Restricted assets in BMDD included \$3,845 in cash.

NOTE 5: LEASES

The City follows GASB No. 87 *Leases*. The primary objective of this statement is to enhance the relevance and consistency of information about government's leasing activities. This statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The City has entered into multiple lease agreements as lessor which allow the right-to-use of land and buildings to other individuals and organizations over the terms of the lease. The City receives payments at the interest rate stated or implied within the leases. The interest rate for these leases is the City's incremental borrowing rate. Total leases

CITY OF BROWNWOOD, TEXAS  
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NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 5: LEASES (CONT.)

receivable at September 30, 2023 amount to \$118,614 and are included in receivables in Note 6. Total deferred inflows on these leases at September 30, 2023 amount to \$129,473 and the City recognized lease revenue of \$169,139 and interest revenue of \$2,158 during the fiscal year.

Future payments on these leases are as follows:

Year Ending September 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 11,132	\$ 182	\$ 32,264	\$ 781
2025	7,413	99	33,176	472
2026	2,124	65	23,497	167
2027	2,145	43	2,821	60
2028	228	22	2,858	23
2029-2032	956	44		
Total	\$ 23,998	\$ 455	\$ 94,616	\$ 1,503

The City is also the lessee for a number of vehicles. The value of lease right-to-use assets and the related accumulated amortization is detailed in Note 8. The details of the lease liability and principal and interest requirements to maturity are provided in Note 10.

NOTE 6: RECEIVABLES

A summary of the net receivables at September 30, 2023 is as follows:

	Governmental Activities	Business-type Activities	Component Unit - BMDD
Ad valorem taxes	\$ 346,765	\$	\$
Sales taxes	1,202,366		386,066
Utility		2,542,991	
Warrants and citations	421,214		
Grants receivable	284,783		
Franchise fee receivable	241,419		
Other receivables	500,263	42,392	
Leases receivable	23,998	94,616	
Notes receivable	74,000		
	\$ 3,094,808	\$ 2,679,999	\$ 386,066
Less allowance for uncollectable accounts	(466,746)	(778,938)	
Receivables, net	\$ 2,628,062	\$ 1,901,061	\$ 386,066

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

State and Federal laws and regulations require that the City of Brownwood place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. The recognition of these landfill closure and postclosure care costs is based on the amount of the landfill use during the year.

The estimated liability for landfill closure and postclosure care costs has a balance of \$8,065,490 as of September 30, 2023 which is based on 32.55% usage (filled) of the overall landfill. It is estimated that an additional \$8,933,429

CITY OF BROWNWOOD, TEXAS  
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NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 7: LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS (CONT.)

will be recognized as closure and postclosure care expenses between the date of the balance sheet and the date the landfill is expected to be filled to capacity (2110). The estimated total current cost of the landfill closure and postclosure care, \$16,998,917, is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of September 30, 2023. However, the actual cost of closure and postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

Based on the latest permit modification dated November 22, 1999 the City's financial assurance requirement is \$11,035,867 and is being met by the government financial test specified in 30 TAC Chapter 37.271.

NOTE 8: CAPITAL ASSETS

Capital asset activity in the City for the year ended September 30, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 3,454,340	\$	\$ (355,789)	\$ 3,098,551
Construction in progress	3,333,042	8,085,722		11,418,764
Total capital assets not being depreciated	<u>\$ 6,787,382</u>	<u>\$ 8,085,722</u>	<u>\$ (355,789)</u>	<u>\$ 14,517,315</u>
Capital assets being depreciated:				
Building and grounds	\$ 16,563,099	\$ 930,378	\$	\$ 17,493,477
Improvements	66,728,148	1,036,185		67,764,333
Machinery/equipment	14,946,818	846,431	(3,639,791)	12,153,458
Intangible assets	1,347,755			1,347,755
Total capital assets being depreciated and amortized	<u>\$ 99,585,820</u>	<u>\$ 2,812,994</u>	<u>\$ (3,639,791)</u>	<u>\$ 98,759,023</u>
Less accumulated depreciation and amortization:				
Buildings	\$ (7,801,711)	\$ (465,495)	\$	\$ (8,267,206)
Improvements	(46,160,393)	(1,747,789)		(47,908,182)
Machinery/equipment	(12,162,325)	(880,711)	3,639,791	(9,403,245)
Intangible assets	(892,045)	(22,306)		(914,351)
Total accumulated depreciation and amortization	<u>\$ (67,016,474)</u>	<u>\$ (3,116,301)</u>	<u>\$ 3,639,791</u>	<u>\$ (66,492,984)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>\$ 32,569,346</u>	<u>\$ (303,307)</u>	<u>\$ -</u>	<u>\$ 32,266,039</u>
Intangible right-to-use assets:				
Leased equipment	\$ 1,770,293	\$ 277,685	\$	\$ 2,047,978
Less accumulated amortization	(490,593)	(555,790)		(1,046,383)
Net intangible right-to-use assets	<u>\$ 1,279,700</u>	<u>\$ (278,105)</u>	<u>\$ -</u>	<u>\$ 1,001,595</u>
Subscription right-to-use assets:				
Software	\$	\$ 114,704	\$	\$ 114,704
Less accumulated amortization		(41,880)		(41,880)
Net intangible subscription right-to-use assets	<u>\$ -</u>	<u>\$ 72,824</u>	<u>\$ -</u>	<u>\$ 72,824</u>
Governmental Activities Capital Assets, Net	<u>\$ 40,636,428</u>	<u>\$ 7,577,134</u>	<u>\$ (355,789)</u>	<u>\$ 47,857,773</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 8: CAPITAL ASSETS (CONT.)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities:				
Capital assets not being depreciated:				
Land	\$ 383,351	\$	\$	\$ 383,351
Construction in progress	87,490	7,350,683	(191,598)	7,246,575
Total capital assets not being depreciated	<u>\$ 470,841</u>	<u>\$ 7,350,683</u>	<u>\$ (191,598)</u>	<u>\$ 7,629,926</u>
Capital assets being depreciated and amortized:				
Building and grounds	\$ 3,467,622	\$	\$	\$ 3,467,622
Improvements	85,601,867	297,836		85,899,703
Landfill cell development	12,836,858			12,836,858
Machinery/equipment	16,774,287	2,031,006	(6,569,386)	12,235,907
Intangible assets	493,054			493,054
Total capital assets being depreciated and amortized	<u>\$ 119,173,688</u>	<u>\$ 2,328,842</u>	<u>\$ (6,569,386)</u>	<u>\$ 114,933,144</u>
Less accumulated depreciation and amortization:				
Buildings	\$ (3,210,607)	\$ (50,982)	\$	\$ (3,261,589)
Improvements	(62,657,523)	(1,299,373)		(63,956,896)
Landfill cell development	(8,334,710)	(371,048)	6,569,386	(2,136,372)
Machinery/equipment	(14,210,643)	(1,078,741)		(15,289,384)
Intangible assets	(409,440)	(41,805)		(451,245)
Total accumulated depreciation and amortization	<u>\$ (88,822,923)</u>	<u>\$ (2,841,949)</u>	<u>\$ 6,569,386</u>	<u>\$ (85,095,486)</u>
Total Capital Assets Being Depreciated and Amortized, Net	<u>\$ 30,350,765</u>	<u>\$ (513,107)</u>	<u>\$ -</u>	<u>\$ 29,837,658</u>
Intangible right-to-use assets:				
Leased equipment	\$ 145,944	\$ 103,284	\$	\$ 249,228
Less accumulated amortization	(51,218)	(83,680)		(134,898)
Net intangible right-to-use assets	<u>\$ 94,726</u>	<u>\$ 19,604</u>	<u>\$ -</u>	<u>\$ 114,330</u>
Subscription right-to-use assets:				
Software	\$	\$ 13,420	\$	\$ 13,420
Less accumulated amortization		(1,677)		(1,677)
Net intangible subscription right-to-use assets	<u>\$ -</u>	<u>\$ 11,743</u>	<u>\$ -</u>	<u>\$ 11,743</u>
Business-type Activities Capital Assets, Net	<u>\$ 30,916,332</u>	<u>\$ 6,868,923</u>	<u>\$ (191,598)</u>	<u>\$ 37,593,657</u>

Depreciation and amortization expense was charged to the following functions:

Governmental Activities:	
General government	\$ 709,440
Police	364,632
Fire	368,061
Development services	50,680
Street	1,364,939
Health	3,496
Community facilities	221,653
Parks and recreation	631,070
	<u>\$ 3,713,971</u>
Business-type Activities:	
Water	\$ 842,074
Waste water	279,204
Waste water treatment	216,553
Sanitation	348,426
Landfill	925,892
Airport	315,157
	<u>\$ 2,927,306</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

**NOTE 9: SOFTWARE SUBSCRIPTIONS PAYABLE**

For the year ended September 30, 2023, the financial statements include the adoption of GASB Statement No. 96 *Subscription-Based Information Technology Arrangements*. The primary objective of this statement is to enhance the relevance and consistency of information about government's subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financing of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use asset. The value of the subscription right-to-use assets and the related accumulated amortization is detailed in Note 8. The details of the subscriptions payable and principal and interest requirements to maturity are provided in Note 10.

**NOTE 10: LONG-TERM OBLIGATIONS**

The following is a summary of changes in long-term obligations for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
<b>Bonds, Notes and Leases Payable:</b>					
General obligation bonds	\$ 2,600,000	\$	\$ (330,000)	\$ 2,270,000	\$ 335,000
Tax note payable	288,500		(54,815)	233,685	57,700
<b>Direct borrowings and direct placements:</b>					
General obligation bonds	6,660,000		(615,000)	6,045,000	630,000
Notes payable	2,073,126	243,124	(680,676)	1,635,574	558,163
Leases payable	1,187,741	352,199	(550,622)	989,318	471,449
	<u>\$ 12,809,367</u>	<u>\$ 595,323</u>	<u>\$ (2,231,113)</u>	<u>\$ 11,173,577</u>	<u>\$ 2,052,312</u>
<b>Bond premiums</b>	<u>163,920</u>		<u>(33,210)</u>	<u>130,710</u>	
<b>Total Bonds, Notes and Leases Payable</b>	<u>\$ 12,973,287</u>	<u>\$</u>	<u>\$</u>	<u>\$ 11,304,287</u>	<u>\$ 2,052,312</u>
<b>Subscription-based information technology arrangements payable</b>		114,704	(37,676)	77,028	37,928
<b>Compensated absences</b>	2,160,652	1,629,216	(1,302,065)	2,487,803	1,420,769
<b>Total Governmental Activities</b>	<u>\$ 15,133,939</u>	<u>\$ 1,743,920</u>	<u>\$ (1,339,741)</u>	<u>\$ 13,869,118</u>	<u>\$ 3,511,009</u>
<b>Business-type Activities:</b>					
<b>Bonds, Notes and Leases Payable:</b>					
Certificates of obligation	\$ 6,325,000	\$ 9,015,000	\$ (320,000)	\$ 15,020,000	\$ 610,000
General obligation bonds	2,375,000		(645,000)	1,730,000	665,000
Tax note payable	211,500		(40,185)	171,315	42,300
<b>Direct borrowings:</b>					
Notes payable	3,372,646	1,417,896	(986,805)	3,803,737	950,588
Leases payable	162,238	17,413	(72,806)	106,845	52,589
	<u>\$ 12,446,384</u>	<u>\$ 10,450,309</u>	<u>\$ (2,064,796)</u>	<u>\$ 20,831,897</u>	<u>\$ 2,320,477</u>
<b>Bond premiums</b>	<u>91,629</u>	<u>141,019</u>	<u>(49,509)</u>	<u>183,139</u>	
<b>Total Bonds, Notes and Leases Payable</b>	<u>\$ 12,538,013</u>	<u>\$ 10,591,328</u>	<u>\$ (2,114,305)</u>	<u>\$ 21,015,036</u>	<u>\$ 2,320,477</u>
<b>Subscription-based information technology arrangements payable</b>	-	13,420	(6,651)	6,769	6,769
<b>Compensated absences</b>	253,062	324,552	(275,097)	302,517	175,394
<b>Total Business-type Activities</b>	<u>\$ 12,791,075</u>	<u>\$ 10,929,300</u>	<u>\$ (2,396,053)</u>	<u>\$ 21,324,322</u>	<u>\$ 2,502,640</u>
<b>Total Primary Government</b>	<u>\$ 27,925,014</u>	<u>\$ 12,673,220</u>	<u>\$ (3,735,794)</u>	<u>\$ 35,193,440</u>	<u>\$ 6,013,649</u>



CITY OF BROWNWOOD, TEXAS  
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NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 10: LONG-TERM OBLIGATIONS (CONT.)

Long-term obligations for the component unit BMDD at September 30, 2023 are as follows:

Bonds and lease payable:					
Sales tax revenue bonds	\$ 5,070,000	\$	\$ (280,000)	\$ 4,790,000	\$ 285,000
Lease payable	30,755		(15,296)	15,459	15,459
Total Bonds and Lease Payable	\$ 5,100,755	\$ -	\$ (295,296)	\$ 4,805,459	\$ 300,459
Compensated absences	16,690	32,718	(32,324)	17,084	11,172
Total	\$ 5,117,445	\$ 32,718	\$ (327,620)	\$ 4,822,543	\$ 311,631

Governmental Activities

General obligation bonds and certificates of obligation provide funds for the acquisition and construction of major capital equipment and facilities. General obligation bonds are direct obligations issued on a pledge of the general taxing powers for the payment of debt obligations of the City. General obligation bonds and certificates of obligation require the City to set aside each year a portion of the taxes levied in a fund to pay interest and principal at maturity. The City is in compliance with this requirement. Combination tax and revenue bonds are payable from either ad valorem taxes levied, with the limits prescribed by laws, or payable from and secured by the surplus net revenues of the City's water and sewer system as provided in the ordinances authorizing their issuance. Tax notes are used to fund specific projects and are generally repaid from tax revenues over shorter periods of time.

A summary of the bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
General obligation refunding bonds:					
Series 2015	10/15/2015	\$ 2,250,000	0.45 to 2.2%	3/15/2026	\$ 385,000
Series 2020 - Governmental portion	9/17/2020	2,480,000	3%	3/15/3031	1,885,000
Series 2021	12/16/2021	6,830,000	2%	3/15/3032	6,045,000
					<u>\$ 8,315,000</u>

The following represents the future maturities on these bonds:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 965,000	\$ 157,173	\$ 1,122,173
2025	990,000	137,313	1,127,313
2026	1,000,000	116,952	1,116,952
2027	895,000	97,595	992,595
2028	910,000	79,232	989,232
2029-2032	3,555,000	130,163	3,685,163
Total	<u>\$ 8,315,000</u>	<u>\$ 718,428</u>	<u>\$ 9,033,428</u>

A summary of the tax note follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
Tax Note, Taxable Series 2020					
Governmental portion	7/23/2020	\$ 395,245	1.50%	3/15/2027	\$ 233,685
Business-type portion	7/23/2020	289,755	1.50%	3/15/2027	171,315
		<u>\$ 685,000</u>			<u>\$ 405,000</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 10: LONG-TERM OBLIGATIONS (CONT.)

Governmental Activities (cont.)

The following represents the future maturities on the governmental portion of this tax note:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 57,700	\$ 3,072	\$ 60,772
2025	57,700	2,207	59,907
2026	57,700	1,342	59,042
2027	60,585	454	61,039
Total	<u>\$ 233,685</u>	<u>\$ 7,075</u>	<u>\$ 240,760</u>

Notes payable are used to finance asset acquisitions and improvements needed in the governmental operations of the City. The notes are secured by equipment. A summary of notes payable follows:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding 9/30/2023</u>
Citizens National Bank	62% WSJ Prime	2024-2028	<u>\$ 1,635,574</u>

The following represents the future maturities on governmental notes payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 558,163	\$ 77,017	\$ 635,180
2025	464,021	49,819	513,840
2026	319,975	27,066	347,041
2027	263,343	10,344	273,687
2028	30,072	623	30,695
Total	<u>\$ 1,635,574</u>	<u>\$ 164,869</u>	<u>\$ 1,800,443</u>

Leases payable are used to finance vehicles used in the governmental operations of the City. The following represents the future maturities on governmental leases payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 471,449	\$ 10,557	\$ 482,006
2025	286,716	6,995	293,711
2026	134,459	4,045	138,504
2027	61,572	1,819	63,391
2028	35,122	507	35,629
Total	<u>\$ 989,318</u>	<u>\$ 23,923</u>	<u>\$ 1,013,241</u>

The following represents the future maturities on the governmental subscription-based information technology arrangements:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 37,928	\$ 2,494	\$ 40,422
2025	39,100	1,321	40,421
Total	<u>\$ 77,028</u>	<u>\$ 3,815</u>	<u>\$ 80,843</u>

CITY OF BROWNWOOD, TEXAS  
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NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 10: LONG-TERM OBLIGATIONS (CONT.)

Business-type activities

The City makes use of general obligation bonds and certificates of obligation as well as tax notes in the business-type activities.

On October 13, 2022, the City issued \$9,015,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 with interest rates ranging from 4% to 5% and a final maturity on March 15, 2043. The City issued the certificates of obligation to fund landfill cell construction and improvements.

A summary of the bonds follows:

	Date of Issue	Original Amount	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
Combination tax and revenue certificates of obligation:					
Series 2012A	12/1/2012	\$ 3,440,000	1.96 to 4.64%	3/15/2044	\$ 2,795,000
Series 2015	10/15/2015	4,815,000	2.95%	9/30/2035	3,210,000
Series 2022	10/13/2022	9,015,000	4.0 to 5.0%	3/15/2043	9,015,000
General obligation refunding bonds,					
Series 2020 - Business-type portion	9/17/2020	3,600,000	3%	3/15/3031	1,730,000
					<u>\$ 16,750,000</u>

The following represents the future maturities on these bonds:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 1,275,000	\$ 646,878	\$ 1,921,878
2025	1,330,000	601,453	1,931,453
2026	900,000	601,467	1,501,467
2027	745,000	566,146	1,311,146
2028	680,000	533,572	1,213,572
2029-2033	3,915,000	2,146,118	6,061,118
2034-2038	3,800,000	1,258,169	5,058,169
2039-2043	3,905,000	484,482	4,389,482
2044	200,000	4,640	204,640
Total	<u>\$ 16,750,000</u>	<u>\$ 6,842,925</u>	<u>\$ 23,592,925</u>

A summary of the tax note is presented above. The following represents the future maturities on the business-type portion of this tax note:

Year Ending September 30,	Principal	Interest	Total
2024	\$ 42,300	\$ 2,252	\$ 44,552
2025	42,300	1,618	43,918
2026	42,300	984	43,284
2027	44,415	333	44,748
Total	<u>\$ 171,315</u>	<u>\$ 5,187</u>	<u>\$ 176,502</u>

Notes payable are used to finance asset acquisitions and improvements needed in the business-type operations of the City. The notes are secured by equipment. A summary of notes payable follows:

	Interest Rate	Maturity Date	Amount Outstanding 9/30/2023
Citizens National Bank	62% WSJ Prime	2024-2028	<u>\$ 3,803,737</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 10: LONG-TERM OBLIGATIONS (CONT.)

Business-type activities (cont.)

The following represents the future maturities on business-type notes payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 950,588	\$ 189,916	\$ 1,140,504
2025	1,128,042	138,228	1,266,270
2026	1,051,415	78,299	1,129,714
2027	590,111	27,286	617,397
2028	83,581	1,730	85,311
Total	<u>\$ 3,803,737</u>	<u>\$ 435,459</u>	<u>\$ 4,239,196</u>

Leases payable are used to finance vehicles used in the business-type operations of the City. The following represents the future maturities on business-type leases payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 52,589	\$ 765	\$ 53,354
2025	36,656	427	37,083
2026	16,829	143	16,972
2027	771	4	775
Total	<u>\$ 106,845</u>	<u>\$ 1,339</u>	<u>\$ 108,184</u>

The following represents the future maturities on the business-type subscription-based information technology arrangements:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 6,769	\$ 214	\$ 6,983

BMDD

A summary of the BMDD bonds follows:

	<u>Date of Issu</u>	<u>Original Amount</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount Outstanding 9/30/2023</u>
Sales tax revenue bonds, series 2022	4/6/2022	\$ 5,070,000	1.87 to 3.28%	3/15/2037	<u>\$ 4,790,000</u>

The following represents the future maturities on these bonds:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 285,000	\$ 135,804	\$ 420,804
2025	290,000	128,857	418,857
2026	300,000	121,259	421,259
2027	305,000	113,120	418,120
2028	315,000	104,407	419,407
2029-2033	1,725,000	377,001	2,102,001
2034-2037	1,570,000	102,948	1,672,948
Total	<u>\$ 4,790,000</u>	<u>\$ 1,083,396</u>	<u>\$ 5,873,396</u>

BMDD leases office space under a long-term lease payable. The following represents future maturities on this lease payable:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 15,459	\$ 141	\$ 15,600

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN

The City of Brownwood participates in three pension plans. Two are administered by Texas Municipal Retirement System (TMRS), Plan 10190 City and 30190 Health Department, and one is administered by Brownwood Firefighter's Relief and Retirement Fund.

TMRS Plan Descriptions

The City of Brownwood participates as two of the 909 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://tmrs.com).

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated based on the sum of the member's contributions, with interest, and the city-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest. Plan provisions for the City include an employee deposit rate of 7%, a matching ratio (city to employee) of 2 to 1 and five years of participation for vesting. Employees with five years of continuous service are eligible to retire at age 60. Employees may retire at any age after 20 years of continuous service.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	
Plan 10190 City	174
Plan 30190 Health Department	12
Inactive employees entitled to but not yet receiving benefits	
Plan 10190 City	101
Plan 30190 Health Department	3
Active employees	
Plan 10190 City	224
Plan 30190 Health Department	21

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of the member's total compensation, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The city's contribution rate is based on the liabilities created from the benefit plan options selected by the city and any changes in benefits or actual experience over time.

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Contributions (cont.)

Employees for the City of Brownwood were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were as follows:

	Calendar Year	
	2022	2023
Plan 10190 City	13.11%	13.44%
Plan 30190 Health Department	12.09%	10.59%

The city's contributions to TMRS for the year ended September 30, 2023, for Plan 10190 City and Plan 30190 Health Department were \$1,519,745 and \$94,540, respectively, and were equal to the required contributions.

Net Pension Liability

The city's Net Pension Liability (NPL) was measured as of December 31, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

*Actuarial assumptions.* The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females.

Mortality rates for healthy retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.00%	

*Discount Rate.* The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive Members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Plan 10190 City			
Balance 12/31/2021	\$ 60,302,635	\$ 58,782,802	\$ 1,519,833
Changes for the year:			
Service cost	\$ 1,688,257	\$	\$ 1,688,257
Interest	4,025,717		4,025,717
Difference between expected and actual experience	1,100,549		1,100,549
Contributions-employer		1,400,837	(1,400,837)
Contributions-employee		747,942	(747,942)
Net investment income		(4,287,822)	4,287,822
Benefit payments, including refunds of employee contributions	(3,013,031)	(3,013,031)	-
Administrative expense		(37,131)	37,131
Other changes		44,309	(44,309)
Net changes	\$ 3,801,492	\$ (5,144,896)	\$ 8,946,388
Balance 12/31/2022	\$ 64,104,127	\$ 53,637,906	\$ 10,466,221

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

Changes in net pension liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Plan 30190 Health Department			
Balance 12/31/2021	\$ 1,759,039	\$ 1,767,867	\$ (8,828)
Changes for the year:			
Service cost	\$ 125,162	\$	\$ 125,162
Interest	119,469		119,469
Difference between expected and actual experience	(10,012)		(10,012)
Contributions-employer		97,563	(97,563)
Contributions-employee		56,488	(56,488)
Net investment income		(128,528)	128,528
Benefit payments, including refunds of employee contributions	(103,426)	(103,426)	-
Administrative expense		(1,117)	1,117
Other changes		1,333	(1,333)
Net changes	\$ 131,193	\$ (77,687)	\$ 208,880
Balance 12/31/2022	\$ 1,890,232	\$ 1,690,180	\$ 200,052

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the Net Pension Liability of the City, calculated using the discount rate of 6.75%, as well as what the City's Net Pension Liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percentage point higher (7.75%) than the current rate:

City's Net Pension Liability	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Plan 10190 City	\$19,331,198	\$10,466,221	\$3,218,530
Plan 30190 Health Department	\$442,364	\$200,052	\$(1,272)

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).



CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City recognized TMRS pension expense (income) of \$2,467,392. At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Plan 10190 City		
Differences between expected and actual economic experience	\$ 1,078,585	\$
Difference between projected and actual investment earnings	3,689,473	
Contributions subsequent to the measurement date	1,122,754	
Total	<u>\$ 5,890,812</u>	<u>\$ -</u>
Plan 30190 Health Department		
Differences between expected and actual economic experience	\$	\$ 39,384
Changes in actuarial assumptions	1,447	
Difference between projected and actual investment earnings	111,636	
Contributions subsequent to the measurement date	65,695	
Total	<u>\$ 178,778</u>	<u>\$ 39,384</u>

\$1,188,449 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Plan 10190 City	Plan 30190 Health Dept.
Net Deferred Outflows (Inflows) of Resources		
Plan Year		
2023	\$ 583,003	\$ (5,616)
2024	1,358,304	8,558
2025	1,175,622	22,834
2026	1,651,129	47,923
Total	<u>\$ 4,768,058</u>	<u>\$ 73,699</u>

Brownwood Firefighter's Relief and Retirement Fund Plan Description

The City contributes to the retirement plan for firefighters in the Brownwood Fire Department known as the Brownwood Firefighter's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan.

The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Brownwood Firefighter's Relief and Retirement Fund. The City does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Brownwood Firefighter's Relief and Retirement Fund at P. O. Box 1389, Brownwood, Texas 76804. See that report for all information about the plan fiduciary net position.

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Benefits Provided

Firefighters in the Brownwood Fire Department are covered by the Brownwood Firefighter's Relief and Retirement Fund which provides service retirement, death, disability, and withdrawal benefits. These benefits fully vest after 20 years of credited service. Firefighters may retire at age 50 with 20 years of service. A vested benefit deferred to age 50 is provided for firefighters who terminate employment before age 50 with at least 20 years of service. The present plan effective October 1, 2008 provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to 50% of Highest 60-Month Average Salary plus \$54.50 per month for each year of service in excess of 20.

A retiring firefighter who is at least age 52 with at least 20 years of service has the option to elect the Retroactive Deferred Retirement Option Plan (RETRO DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Highest 60-Month Average Salary as if he had terminated employment on his selected RETRO DROP benefit calculation date, which is no earlier than the later of the date he meets the age 52 and 20 years of service requirements and the date two years prior to the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the Fund after the RETRO DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the RETRO DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Members Covered by the Fund

At the December 31, 2021 actuarial valuation, the following numbers of members were covered by the Fund:

Retirees and beneficiaries currently receiving benefits	29
Inactive employees entitled to but not yet receiving benefits	0
Active employees	33

Funding Policy

The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the City.

The funding policy of the Brownwood Firefighter's Relief and Retirement Fund requires contributions equal to 10% of pay by the firefighters, the rate elected by the firefighters according to TLFFRA effective October 1, 2021. The rate had previously been 8%. The City normally contributes 20% of payroll, as it did for 2022 and 2023. The December 31, 2021 actuarial valuation included the assumption that the total contribution rate would continue to be 30%, even though the fund had an inadequate contribution arrangement. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. For the year ending December 31, 2022, the money-weighted rate of return on pension plan investments was -18.43%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

CITY OF BROWNWOOD, TEXAS  
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NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Funding Policy (cont.)

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net Pension Liability

The City of Brownwood's FRR net pension liability was measured as December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021 and rolled forward to December 31, 2022.

Total pension liability	\$ 11,907,044
Plan fiduciary net position	4,660,197
City's net pension liability	<u>\$ 7,246,847</u>

Plan fiduciary net position as a percentage of the total pension liability	39.1%
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*Actuarial assumptions.* The total pension liability in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	2.75%, plus promotion, step and longevity increases that vary by service
Investment rate of return	7%, net of pension plan investment expense, including inflation
Discount rate	7%

Mortality rates were based on the Pub S-2010 (public safety) below-median income mortality tables for employees and retirees (sex distinct), projected generationally using projection scale MP-2019.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.23%) and by adding expected inflation (2.75%).

*Discount Rate.* The discount rate used to measure the total pension liability was 7%. No projection of cash flows was used to determine the discount rate because the December 31, 2021 actuarial valuation revised to reflect the new contribution policy showed that expected contributions would pay the normal cost and amortized the unfunded actuarial liability (UAAL) in 53 years. Because of the 53-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity - Large Cap Domestic	22%	5.40%
Equity - Small/mid Cap Domestic	13%	5.90%
Equity - International Developed	19%	5.90%
Equity - Emerging Markets	9%	7.40%
Alternatives - REIT	5%	2.90%
Alternatives-Credit income	5%	1.40%
Fixed Income – Domestic Core	18%	0.90%
Fixed income - Nontraditional	7%	1.90%
Cash	2%	0.0%
Total	100%	
Weighted Average		4.23%

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the City, calculated using the discount rate of 7%, compared to what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6%) or 1-percentage-point higher (8%) than the current rate:

	1% Decrease in Discount Rate (6%)	Discount Rate (7%)	1% Increase in Discount Rate (8%)
City's Net Pension Liability	\$8,777,779	\$7,246,847	\$5,977,374

*Pension Plan Fiduciary Net Position.* The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources management focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Net Pension Liability (cont.)

Changes in the net pension liability:

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Amounts as of September 30, 2022	\$ 11,498,390	\$ 5,789,089	\$ 5,709,301
Changes for the year:			
Service cost	\$ 289,913	\$	\$ 289,913
Interest	801,292		801,292
Contributions-employer		430,192	(430,192)
Contributions-employee		215,064	(215,064)
Net investment income		(1,060,786)	1,060,786
Benefit payments	(682,551)	(682,551)	-
Administrative expense		(30,811)	30,811
Net changes	\$ 408,654	\$ (1,128,892)	\$ 1,537,546
Amounts as of September 30, 2023	\$ 11,907,044	\$ 4,660,197	\$ 7,246,847

Measurements for the fiscal year ended September 30, 2022 were taken as of December 31, 2021.

Measurements for the fiscal year ended September 30, 2023 were taken as of December 31, 2022.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2023, the City's FRR pension expense was \$796,905. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

Components of Pension Expense for the Fiscal Year Ended September 30, 2023:

Service cost	\$ 289,913
Interest	801,292
Firefighter's contributions	(215,064)
Projected earnings on pension plan investments	(402,853)
Amortization of differences between projected and actual earnings on plan investments	182,548
Amortization of changes of assumptions	100,093
Amortization of differences between expected and actual experience	10,165
Pension plan administrative expenses	30,811
Total pension expense	<u>\$ 796,905</u>

Deferred Outflows of Resources and Deferred Inflows of Resources to be Recognized in Pension Expense in Future Years:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings on pension plan investments	\$ 799,599	\$
Differences between expected and actual experience	86,328	
Changes of assumptions		286,010
Contributions subsequent to the measurement date	317,017	
Total	<u>\$ 1,202,944</u>	<u>\$ 286,010</u>

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 11: DEFINED BENEFIT PENSION PLAN (CONT.)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions  
(cont.)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Plan Year	Net of Deferred Outflows Minus Deferred Inflows
2023	\$ 183,233
2024	271,971
2025	153,800
2026	(26,129)
2027	17,042
Total	<u>\$ 599,917</u>

*Deferred Outflow of Resources to Be Recognized Next Year.* The total of the contributions by the City to the Fund contributed subsequent to the measurement date of the net pension liability, December 31, 2022 through September 30, 2023 is a deferred outflow of resources that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. This amount is \$317,017.

NOTE 12: INTERNAL BALANCES AND TRANSFERS

Internal balances are short-term loans to cover temporary cash deficits in various funds. At September 30, 2023, there were no internal balances.

Transfers to/from other funds during the year ended September 30, 2023 consist of the following:

- \$58,728 from General Fund to the Debt Service Funds for debt service requirements.
- \$6,509 from General Fund to Special Revenue Funds for grant expenditures
- \$56,892 from General Fund to Proprietary Funds for capital expenditures
- \$486,635 from General Fund to Proprietary Funds for grant expenditures

NOTE 13: UTILITY

The Utility Department was serving the following number of customers:

	9/30/23	9/30/22
Water Department	7,549	7,535
Sewer Department	7,064	7,040
Sanitation Department	7,268	7,239

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 14: COMMITMENTS

Brownwood Municipal Development District (BMDD) has a building improvement incentive program that provides matching funds of up to \$20,000 upon completion of an approved project. Seven projects totaling \$140,125 were approved and not yet funded at September 30, 2023. During a prior year, BMDD approved a financial incentive to Hendricks Health System for construction of a medical office building in the amount of \$350,000 payable over five years. At September 30, 2023, there is \$50,000 remaining to be paid on this incentive. Other BMDD approved financial incentives that were not yet funded at September 30, 2023 are as follows:

- AJA Development LLC up to \$337,500 for infrastructure
- Commerce Station LP up to \$125,000 for expansion

In the prior year, BMDD approved up to \$12,000,000 funding to the City of Brownwood for construction of a multi-purpose event center. At September 30, 2023, \$1,381,475 remained to be funded. During the current year, the District committed to purchase two parking lots for \$55,440 and spend up to an additional \$10,000 on them for repairs. The purchase did not close before year end. Subsequent to September 30, 2023, the District committed to awarding a \$1,000,000 retail incentive for a proposed retail development

The City has an agreement with Brown County to share the costs of the Joint Law Enforcement Center. Under this agreement the City pays a percentage of the utilities cost and a percentage of the insurance costs.

The City is committed to a number of construction projects at September 30, 2023 including a multipurpose event center, park improvements, street and sidewalk improvements and landfill cell construction and improvements. Total cost of these projects is approximately \$27,086,000 with remaining costs of approximately \$8,420,000 at September 30, 2023.

NOTE 15: CONTINGENT LIABILITIES

The City of Brownwood is the primary guarantor for payment of principal and interest on Revenue Bonds issued by Brown County Water Improvement District #1 with an approved original balance of \$20,490,000. At September 30, 2023 the unpaid balance was \$6,150,000. Principal payments on the bonds began February 1, 2009 and the final payment is due February 1, 2028. Payments are made monthly as a debt service charge on the statement to the City for water purchases. The payments are shared by charges added to the statements of all of the contracting parties for the purchase of treated water from Brown County Water Improvement District #1.

NOTE 16: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability, professional liability, and worker's compensation insurance coverage is provided through the purchase of commercial insurance. The City retains risk on only a small deductible amount, except on non-financed vehicles on which no collision insurance is carried. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years. The City employee health care is provided by commercial insurance with no risk retained by the City. The management of the City has not been notified and is not aware of any significant claims against the City not covered by insurance.

NOTE 17: ELECTED OFFICIALS

Stephen Haynes	Mayor
Walker Willey	Councilman
H.D. Jones	Councilman
Draco Miller	Councilman
Melody Nowowiejski	Councilman
Ed McMillian	Councilman

CITY OF BROWNWOOD, TEXAS  
Brownwood, Texas

NOTES TO BASIC FINANCIAL STATEMENTS (CONT.)

September 30, 2023

NOTE 18: APPOINTED OFFICIALS AND FIDELITY BONDS

Emily Crawford	City Manager
William P. Chesser	City Attorney
Christi Wynn	City Secretary
Lee Haney	Municipal Court Judge

City employees are covered by a blanket fidelity bond in the amount of \$100,000.

NOTE 19: INSURANCE COVERAGE - BUILDINGS AND CONTENTS

A summary of the buildings and contents insurance coverage follows:

Insurer:	Texas Municipal League	
Expiration date:	October 1 through September 30	
Coverage:	Buildings	\$ 68,364,814
	Contents	8,207,085
Risk covered:	Fire, lightning, extended coverage including Replacement cost endorsement.	

NOTE 20: SUBSEQUENT EVENTS

Subsequent to year end, the City entered into a construction agreement for approximately \$1,650,000 for the renovation of the Brownwood/Brown County Health Department building along with an agreement to share cost of the renovation equally with Brown County.



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**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

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**Proposed Form of Opinion of Bond Counsel**

*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.*

**CITY OF BROWNWOOD, TEXAS,  
COMBINATION TAX AND LIMITED PLEDGE REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2025**

**IN THE AGGREGATE PRINCIPAL AMOUNT OF \$ \_\_\_\_\_**

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**AS BOND COUNSEL** for the City of Brownwood, Texas (the "City"), the issuer of the above-described Certificates (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the date specified in the text of the Certificates, at the rates and payable on the dates as stated in the text of the Certificates, maturing all in accordance with the terms and conditions stated in the text of the Certificates.

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Certificates have been authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the City relating to governmental immunity and bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a limited pledge of the surplus revenues of the City's Waterworks and Sewer System remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the City's revenue obligations (now or hereafter outstanding), which are payable from all or part of said revenues, all as provided in the Ordinance of the City authorizing the issuance of the Certificates.

**IT IS FURTHER OUR OPINION** that, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of



this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

**OUR OPINIONS ARE BASED ON EXISTING LAW**, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

**WE EXPRESS NO OPINION** as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

**OUR SOLE ENGAGEMENT** in connection with the issuance of the Certificates is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates



under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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Municipal Advisory Services  
Provided By

